FINANCIAL TIMES

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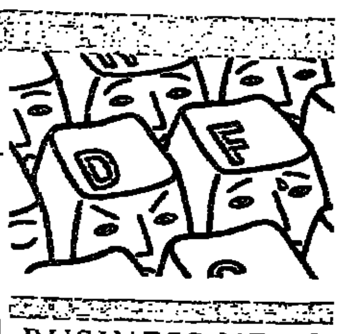
Mastering Information Technology

The FT's 12-part series on the I in IT continues today. Part Eight: the human factor



Separate section

WORLD NEWS

US envoy plans last warning to Serbs of Nato air strkes

Richard Holbrooke, the US special envoy, is to make a last-ditch mission to Belgrade today to try to convince President Slobodan Milosevic that Nato will bomb his military forces unless he reins in their offensive against Albanians in Kosovo. **Page 14; Nato targets air defences, Page 2; Milosevic's last stand, Page 12**

Finnish coalition set for close fight
Finland's coalition government appeared to be neck and neck with the opposition in the general election after a disappointing showing in early results. **Page 3**

US acts over espionage 'hysteria'
The US government moved to quell fears that China had gained access to American nuclear technologies, dismissing reports of widespread Chinese espionage as "hysteria". **Page 14**

Triumph for balloonists
Bertrand Piccard from Switzerland and Brian Jones from Britain, the two-member Breitling Orbiter 3 balloon team, became the first balloonists to fly non-stop around the world. **Page 5**

Russia aims to mend US relations
Yevgeny Primakov, Russia's prime minister, will tomorrow start critical talks in Washington in an attempt to patch strained relations with the US. **Page 3**

Turkey hopes for oil pipeline deal
Turkey is hoping to clinch a deal for a multi-billion-dollar pipeline to transport Caspian oil from the Azeri capital of Baku to its Mediterranean port of Ceyhan before elections on April 18. **Page 4**

Pay deal for German steel workers
Trade unions in Germany's insurance sector and steel industry have agreed on pay increases largely in line with deals reached in other sectors. **Page 2**

Education crisis 'threatens' Africa
Sub-Saharan Africa faces a "social breakdown" unless urgent measures are taken to tackle its education crisis, a report by aid agency Oxfam warns. **Page 4**

Date set for Slovakian election
Slovakia will elect a president for the first time by direct popular vote on May 15. **Page 2**

Chechen president escapes bomb
Chechen president Aslan Maskhadov escaped an assassination attempt when a mine exploded near his motorcade as it returned to his his palace in Grozny.

13-year-old boy in Ulster beating
A 13-year-old boy suffered a paramilitary-style beating in Newtownards, Northern Ireland, one of the youngest people ever to suffer such an attack.

BUSINESS NEWS

Volvo plans to list shares on fewer stock exchanges

Volvo, Swedish automotive group, is planning to scale back its multiple share listings following rising dealing costs and poor liquidity in many of the markets where it is quoted. **Page 15**

A group of multinational companies is planning a fresh attempt to pave the way for the creation of pan-European pension funds with a European Court of Justice test case. **Page 16**

Venator, the US sports shoe retailer known until last year as Woolworth, is facing a fight by its largest shareholder to force the group to abandon a "poison pill" provision and change its name back. **Page 15**

Star Alliance, the global airline grouping, plans to form a consortium to bid for a substantial equity stake in Thai Airways, one of the partners. **Page 15**

Bank of America's securities arm plans to expand in the US and build a European business based in London. **Page 20**

IT International Theatres, Israel's leading cinema operator, raised $41m on Easdaq, the pan-European stock market for growth companies, in an offering four times subscribed. **Page 18**

HypoVereinsbank supervisory board chairman Klaus Goette resigned to take responsibility for the German commercial bank's controversial involvement in real-estate business. **Page 16**

Thailand's state-run Asset Management Corporation was the big winner in an auction of $6bn in bad debt seized from 56 finance companies, buying around Bt185.4bn ($4.95bn) worth of business loans for Bt31bn. **Page 18**

ABP and PGGM, the two largest Dutch pension funds, will this week prepare their offer to control the country's National Investment Bank, amid suspicions that they are under pressure to increase the price. **Page 18**

Swisscom, the recently privatised Swiss telecoms company, has abandoned two of its most ambitious overseas ventures by withdrawing from investments in mobile telephone operators in India and Malaysia. **Page 17**

EFG Eurobank, of Greece, attracted a record number of Greek investors with its Dr100bn ($340m) public offering. **Page 19**

Pernod Ricard, the drinks group, said it expected the French government to lift the veto on the sale of its Orangina soft drink business to Coca-Cola. **Page 17**

Bill Gates on Business

Coping with an era of change

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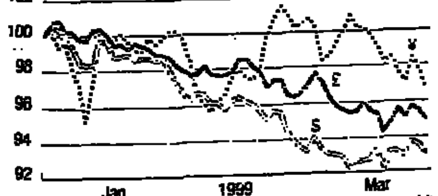
Progress of the euro
Currencies vs euro (rebased Jan 1 1999=100)



The euro held up well this week, shrugging off the mass resignation of the European commissioners on Tuesday. It stayed around the $1.10 level against the dollar but fell against the strengthening yen

Euro exchange rates

Dollar	1.0926
Yen	127.985
Sterling	0.6707
Swedish krona	8.9316
Danish krone	7.4321
Greek drachma	321.468
Swiss franc	1.5975

Italian banks move to join European merger wave

UniCredito Italiano in bid for BCI and San Paolo-IMI eyes Banca di Roma

By Paul Betts in Milan

A revolution in the Italian banking industry was unleashed yesterday when two of the country's largest banking groups simultaneously moved to combine with two other large Italian banks.

The separate bids were seen as part of the scramble for consolidation in the European banking industry, especially in France and Spain, and appeared to have been prompted by the fear of large Italian banks that they would lose out in the current merger wave.

UniCredito Italiano, the country's third largest banking group, launched a share exchange offer for Banca Commerciale Italiana (BCI), its Milan rival, to form a new enlarged banking group called Eurobanca with total assets of €260bn ($284bn) and a combined market capitalisation of €38.7bn.

The board of San Paolo-IMI, Italy's largest banking group, later approved a proposal to merge with Banca di Roma, in a deal also involving an exchange of shares, to create a new expanded group with total assets of €286bn and a combined market capitalisation of €30.2bn.

The sudden acceleration in the consolidation of the Italian banking sector followed last week's decision by BCI and Banca di Roma to break off merger negotiations that have been dragging for the past 12 months.

The mergers would accelerate sweeping changes now occuring in Italy's traditionally closed corporate culture as old networks and cosy relationships collapse and financial and industrial groups adapt to Anglo-Saxon style takeovers and free market capitalism. UniCredito's board, after a meeting in a secret Milan location, gave the go ahead for a share swap involving 8 UniCredito shares for 5 BCI shares.

UniCredito is offering a 17.6 per cent premium to BCI shareholders. Its shares closed at €5.3 on Friday, while BCI common shares closed at €7.2.

UniCredito, which is being advised by Lazard, said it planned to launch the offer on the market between the end of May and before the middle of June, once the operation has been approved by its shareholders at an extraordinary meeting at the beginning of May.

However, the offer would be conditional on UniCredito securing just over 50 per cent of BCI shares, the scrapping of BCI's current 5 per cent limit on the voting rights of any single shareholder and Bank of Italy approval.

The Italian central bank has already indicated it favoured the latest wave of banking consolidation.

UniCredito last night said it had made its offer after "doing everything to assure it was friendly". There was no immediate BCI reaction.

UniCredito and BCI each own 8 per cent stakes in Mediobanca, the Milan investment bank that has been at the heart of Italian finance for the past four decades. Although the merger would secure Mediobanca's shareholding structure, the investment bank is understood to be opposed to the merger. It had pressed for a merger between BCI and Banca di Roma.

Miracles never cease, Page 13
Lex, Page 14

Brussels delays launch of Unilever health-aid spread

By John Willman in London

The European Commission has delayed approval for the sale of a cholesterol-reducing margarine developed by Unilever because of widespread public concern about scientific manipulation of food products.

Sweden and Germany have raised questions about the safety of the Anglo-Dutch group's spread – the first of a new generation of functional foods offering health benefits akin to those provided by pharmaceuticals.

Under EU legislation for approving novel foods, the Commission could give the new spread the go-ahead despite the opposition of the two countries because nine member states have given their approval.

But with public concern mounting over foods containing genetically modified ingredients, the Commission has declined to impose the majority view in the first case where it has been asked to approve a functional food.

The decision will give a clear run in Europe to Benecol, a rival product produced by Raisio, the Finnish food and chemicals group, to be launched in the UK next week. Benecol, on sale in Finland since 1995, needs no go-ahead from Brussels under the rules for novel foods, introduced less than two years ago.

Unilever still expects to be first to launch its spread in the US, where it will be called Take Control. But its debut in Europe, where it will be branded Flora pro-activ, will be delayed for six to nine months while further tests demanded by Germany and Sweden are completed.

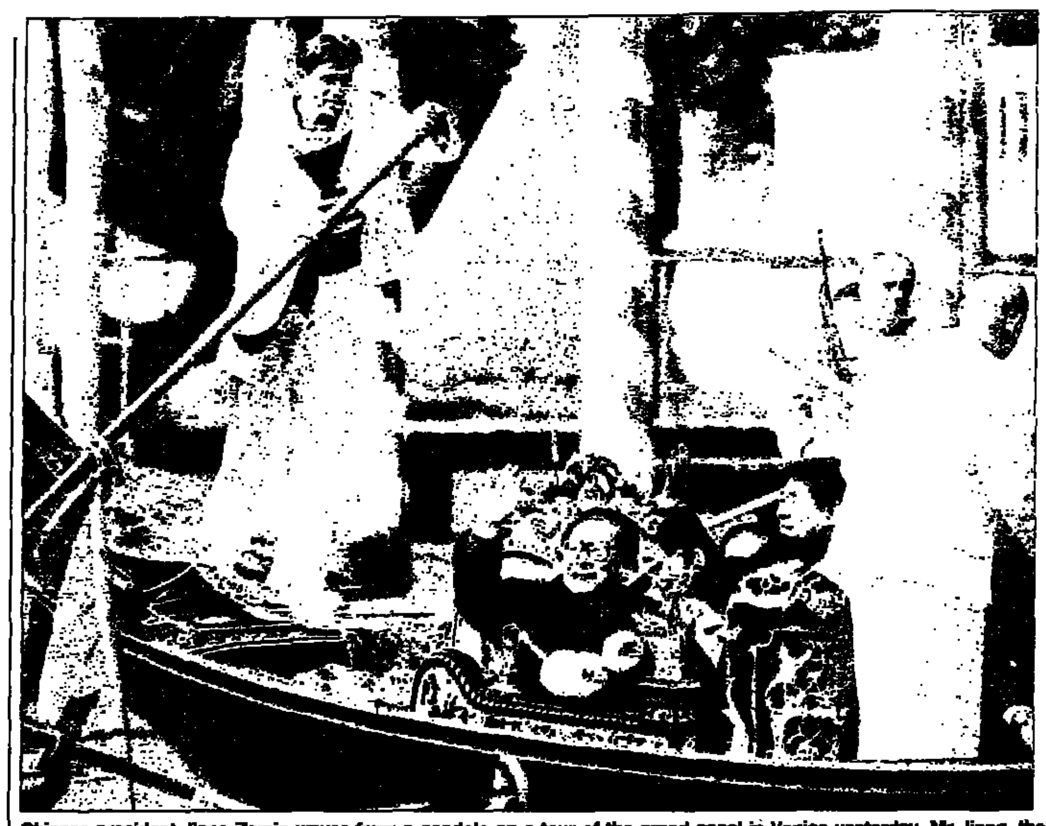
Unilever had hoped to bring Flora pro-activ to market within weeks. Benecol is close to launch in several EU countries and will be marketed outside Finland by McNeil Consumer Healthcare, the subsidiary of Johnson & Johnson of the US.

Two weeks ago, Unilever's Dutch subsidiary started court proceedings in The Hague against Benecol, alleging the name and marketing of the spread was too close to its own market-leading Becel brand.

The move was seen as a delaying tactic and Raisio rejected the claim, saying both trademarks had co-existed in the Finnish marketplace for more than three years without confusion.

Functional foods are expected to provide a boost for stagnant food sales in western economies, with the European market forecast to be worth £2bn ($3.26bn) within four years by the UK's Leatherhead Food Research centre. The cholesterol-busting margarines offer manufacturers the prospect of much higher margins – Benecol is on sale in Finland at six times the price of conventional spreads.

However, the Commission wants to establish a consensus on the benefits of mixing food and health benefits before approving the new spread.



Chinese president Jiang Zemin waves from a gondola on a tour of the grand canal in Venice yesterday. Mr Jiang, the first Chinese leader to visit Italy in 12 years, was on the first leg of a European tour visiting Italy, Switzerland and Austria in a bid to boost trade and cultural relations with the region. Picture: AP

Prodi has early lead as four vie for Santer's job

Dutch and Portuguese PMs among the possible rivals

By Peter Norman in Brussels

The field of candidates for the European Commission presidency appeared to be down to four last night as EU foreign ministers meeting in Brussels discussed last week's mass resignation of the Commission.

Lamberto Dini, Italian foreign minister, gave strong backing to Romano Prodi, his country's former prime minister and the only declared candidate. "He is in an excellent position. He has a good chance," Mr Dini said.

But the names of Antonio Guterres, Portuguese prime minister, Wim Kok, his Dutch counterpart, and Javier Solana, Nato secretary-general, were circulating in the corridors as possible successors to Jacques Santer, who continues to serve in a caretaker capacity.

The nomination of the Commission president is the preserve of the EU's elected national leaders and there was no question of last night's meeting reaching even preliminary conclusions. Nor was it clear whether this week's Berlin summit would be the occasion for choosing Mr Santer's successor. Much will depend on progress in Agenda 2000 negotiations on EU financial reform, which is the priority of Germany, holder of the EU's rotating presidency.

However, there was clearly a desire among member states for the choice to be made as soon as possible and shortly after Berlin if no decision were made at the summit.

Mr Prodi's candidature appeared to win support from Spain when Abel Matutes, its foreign minister, described him as "a perfectly supportable candidate". But officials from states other than Italy and Spain cautioned against viewing Mr Prodi as the clear front runner.

"Mr Prodi's position will become clear in the next few days," said a member of the UK government, who said Mr Kok would get wide backing if he threw his hat in the ring. Mr Prodi has the advantage of being free to take up the position, but ultimately the choice will depend on the unpredictable dynamics of the meeting to discuss the issue. Both Mr Santer and Jacques Delors, his predecessor, were drafted to the presidency, officials pointed out.

In such circumstances, ministers' remarks tended to confuse rather than clarify the picture. For example, the observation of Jaime Gama, Portuguese foreign minister, that in Mr Guterres "we have the best Commission president but for national political reasons he is not available", left the door open for his candidature.

The news that Mr Santer had been picked by Jean-Claude Juncker, Luxembourg prime minister, to head the centre-right list of his country's candidates for European parliamentary elections in June was sharply criticised by UK Conservative MEPs. Edward McMillan-Scott, leader of the Conservative MEPs, said it was "a defiance of democracy".

EU news, Page 3

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	Ikr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	Dkr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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WORLD NEWS

KOSOVO CRISIS ● WESTERN ALLIANCE PLANS ASSAULT ON BELGRADE'S MILITARY MACHINE ● SERBS SWEEP THROUGH KOSOVO

Nato targets Milosevic's air defences

By Alexander Nicoll in London and Guy Dinmore in Belgrade

A blistering attack on Serbia's air defences with cruise missiles and bombing raids would be likely to form the first phase of Nato strikes against Yugoslav President Slobodan Milosevic, military experts said yesterday.

The alliance has between 350 and 400 aircraft, including F-117 stealth fighters and B-52 bombers, ready to take part and would want to ensure they could operate as safely as possible. "It will be essential to degrade their surface-to-air missile systems so that we enjoy complete air superiority," a senior officer said.

A Pentagon official said last week that Yugoslavia – which comprises Serbia and Montenegro – had a "robust, highly integrated, well-equipped air defence system operated by well-trained people". It had Soviet-made SA-6, SA-3 and SA-2 missiles as well as shoulder-fired missiles, and over 2,000 anti-aircraft guns. "They have well trained air defence corps and they have been rehearsing and training fairly aggressively in the last several weeks."

As Serbia built up its forces in Kosovo last week, missile launchers were being moved around, perhaps in preparation for Nato attacks. The Pentagon said there were some 16 Serbian battle groups in the province.

Nato's aim would be to persuade Mr Milosevic to return to peace talks through a short burst of strikes, perhaps lasting only a few days. But it also has plans for more extensive raids on military targets. Mr Milosevic's military chiefs have an idea of the potential damage because Nato generals briefed them last October as part of diplomatic pressure which brought a temporary agreement.

It is unclear to what extent Nato would aim to stop the current Serbian offensive within Kosovo itself, or whether it would stick to its plan to attack the heart of Mr Milosevic's military machine.

Nato has a powerful array of aircraft at bases in Italy, Germany and Britain, and six or seven cruise missile-capable ships in the Mediterranean Sea. The US has three destroyers, Thorn, Nicholson and Gonzales, the cruiser Philippine Sea, and two attack submarines.

Italian troops, part of Nato's force, exercising near the Kosovo-Macedonian border yesterday Reuters

The Pentagon said Britain also had a cruise missile-capable submarine in the area, though the UK Ministry of Defence would not confirm this. The only British submarine so far fitted with cruise missiles is the Splendid, which has yet to fire them in action.

Diplomats and military analysts said that in spite of the accuracy demonstrated by weapons used by the US and UK in Iraq, it would be much more difficult for Nato to avoid inflicting collateral damage and civilian casualties in Serbia, especially if Serb units in Kosovo were targeted.

Yugoslav army troops and Serbian interior ministry police are based in or close to densely populated civilian areas. In the northern village of Svinjare, for example, an artillery unit that has been hammering rebel positions in the Cicavica hills is stationed between civilian homes. The main towns of Pristina, Mitrovica, Pec and Djakovica all have army bases close to or in the suburbs. Many Yugoslav army units have left their barracks over the past month and are on the move.

Bad weather is hampering Nato's intelligence-gathering from overflights and satellites and the weekend departure of all international monitors from Kosovo has deprived Nato of information on the ground.

Nato has no plans to use its 12,000 armoured troops in Macedonia, across the border from Kosovo, except to implement a peace agreement. But an air surveillance mission set up in Macedonia to support the monitors will continue to operate.

Refugees flee Serbian advance

By Guy Dinmore in Belgrade

More than 15,000 ethnic Albanians have fled their homes in central Kosovo following the latest offensive by Serbian security forces.

Aid agencies said yesterday villages had been left burning in the worst violence seen in the province for over six months. Fernando del Mundo, spokesman for the United Nations High Commissioner for Refugees (UNHCR), said half of the central town of Srbica was deserted, shop windows had been broken and a warehouse used by the Mother Teresa relief organisation had been looted.

UNHCR workers delivering aid came across a group of ethnic Albanian women crying beside the main road leading north out of Srbica, saying police had taken away their husbands and burnt their homes. Smoke could be seen rising from a cluster of seven houses.

"It looks like a replay of last summer's offensive," Mr Del Mundo said, referring to a sweep through Kosovo that destroyed scores of villages until the threats of Nato intervention prompted a ceasefire last October.

Because of deteriorating security, only about a dozen of the 50 or so non-government aid organisations have stayed in Kosovo. The departure of all 1,380 international monitors on Saturday has raised fears among remaining relief workers.

Women claim that police have taken away their husbands and set fire to their homes

Refugees poured out of Srbica on Saturday and trekked across snowy hills to the relative safety of rebel-held areas deeper in central Kosovo. Witnesses said special police units in masks and white overalls forced people out of their homes in a sudden operation that gave them no time to collect their belongings. Officials said seven "terrorists" had been killed.

Kurt Schork, a Reuters correspondent, reported that security forces yesterday seized the rebel outpost of Donje Prekaz in the Cicavica hills, just to the north of Pristina, the regional capital. Smoke poured from the village and small-arms fire could be heard nearby. Serbian security forces had been shelling the Cicavica range from the east for three weeks and through Srbica were able to attack from the west as well.

The UNHCR estimates that around 80,000 people have been displaced in fighting since the first round of peace talks ended inconclusively a month ago. Over the past year about 400,000 people – more than a fifth of Kosovo's population – have fled their homes.

Statements from Belgrade, the Serbian capital, indicate that the authorities do not intend to heed warnings by the western powers of Nato intervention. "The world powers want to enslave Serbia," said Zoran Lillic, deputy prime minister.

NEWS DIGEST

PACTS AGREED BY EMPLOYERS AND UNIONS

Pay increases for German steel, insurance workers

Employers and trade unions in Germany's insurance sector and steel industry have reached agreement on pay increases largely in line with previous deals reached in other sectors.

Under the 15-month settlement for the insurance sector, 220,000 employees will receive a 3.2 per cent wage increase from April 1, plus a one-time payment of DM350 (€179, $196) for the first three months of this year. Under the steel sector agreement, 85,000 steel workers will receive a 3.3 per cent wage increase as of June 1, and a DM500 one-off payment for the months of March to May.

There still has been no wage settlement for the 470,000 employees in the banking industry. Last week, thousands of employees held warning strikes in the country's financial capital, Frankfurt, to support their demands for a 6 per cent pay increase. Talks are scheduled to resume on March 29 after employers signalled they would improve their offer. **Uta Harnischfeger, Frankfurt**

ELECTION SEEN AS MILESTONE

Presidential poll for Slovakia

Slovakia will go the polls on May 15 to elect a president for the first time by direct popular vote. The post has been vacant for more than a year because under the indirect system in the last parliament no candidate won the three-fifths of votes required.

The election will be regarded by the European Union as another milestone in Slovakia's return to political respectability after the authoritarian premiership of Vladimir Meciar.

In 1997, Slovakia was not invited to join Nato or negotiations for EU membership, partly because of his government's attacks on Michal Kovac, who was then president, and the illegal banning of a referendum for a directly elected presidency. When Mr Kovac stepped down last March, the government also assumed the president's largely ceremonial powers and used them controversially. **Robert Anderson, Prague**

PALESTINIAN STATEHOOD

Arafat hopes for US support

Yassir Arafat, president of the Palestinian Authority, will tomorrow continue on his quest to galvanise support for Palestinian statehood by appealing to President Bill Clinton in Washington.

Mr Arafat hopes to capitalise on Mr Clinton's sympathy for Palestinian aspirations as voiced on his visit to Gaza last December. However, US officials say Washington will not back Mr Arafat's plan to declare statehood unilaterally on May 4, when the interim negotiation period started in the Israeli-Palestinian Oslo accords expires.

Mr Arafat yesterday visited Austria and Sweden as part of a campaign to win European support. While reaffirming the Palestinians' right to declare statehood on May 4, he also said the timing of "this very important and sensitive matter" was still being discussed.

The EU and US fear a May 4 Palestinian declaration could play into the hands of Benjamin Netanyahu, Israeli prime minister, who stands for re-election on May 17. Analysts say Israeli voters, frightened by a unilateral declaration, might back Mr Netanyahu if he carries out threats to take tough counter-measures. **Avi Machlis, Jerusalem**

GOVERNMENT TO GET TOUGH

Malaysia warns protesters

The Malaysian government said yesterday it would get "very tough" with anyone trying to overthrow the administration through street demonstrations. The warning by Abdullah Ahmad Badawi, the new deputy prime minister, came a day after the authorities were reported to have arrested 11 people, including three journalists, at an anti-government demonstration.

The protesters called for the resignation of Mahathir Mohamad, prime minister, and the arrest of Abdul Rahim Noor, the police chief, who resigned before admitting to beating Anwar Ibrahim, the sacked and jailed deputy prime minister who had become a rival to Dr Mahathir. Malaysian authorities said they had found tapes calling for the death of the premier, but opposition parties said this was an excuse for for a crackdown. **Sheila McNulty, Singapore**

WTO DISPUTE

EU challenges US on gluten

The European Union has launched a challenge in the World Trade Organisation over US limits on wheat gluten imports. The EU is seeking consultations with US officials as the first step in the global trade body's dispute settlement procedure.

The US imposed three-year quotas on wheat gluten imports from the EU and other suppliers last June. This followed complaints from US producers that they were facing a surge in imports that could put them out of business. The US maintains the restrictions were in line with a WTO agreement on safeguards – temporary measures allowed to reduce imports and enable a domestic industry to adjust to an increase in competition from foreign produce. The EU disputes that Washington's measures are in compliance with the rules. **Reuters, Geneva.**

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R

Bonn offers compromise reform plan

By Peter Norman in Brussels

The German presidency of the European Union yesterday proposed that Britain keep its EU budget rebate, but with extensive modifications, as part of a compromise package to complete the "Agenda 2000" negotiations on reform of the EU's budget, farm and regional policies.

At a "conclave" of foreign ministers called to prepare this week's special Berlin summit on the Agenda, Joschka Fischer, the German foreign minister, also outlined proposals intended to meet Spain's hostility to the reforms, which would limit EU expenditure on poorer regions in the seven years from 2000 to 2006.

However, as the ministers prepared to meet late into the evening, it was clear that the final accords – which are considered essential if the EU is to be able to expand to the east – would have to wait for the Berlin meeting that begins on Wednesday. A final deal is unlikely before the early hours of Friday morning.

The British rebate and the future of the structural funds have emerged as the most difficult remaining Agenda 2000 issues since EU farm ministers reached broad agreement on farm reform earlier this month.

Yesterday's German presidency compromise proposal recognised for the first time that "the UK budget abatement will be maintained". But it said adjustments should be made to neutralise any benefits from other parts of the reform package, such as reduced agricultural spending by the EU and to take account of EU spending resulting from the accession of new member states in the coming decade.

Germany urged a "safety net" to help ease the burden of other large-scale net contributors such as itself.

In addition, the contributions of other EU members to the terms of the UK rebate should be changed to yield a "fairer burden sharing" among other high net contributors and the poorer "cohesion" countries – Spain, Portugal, Ireland and Greece – that were awarded special support to help them prepare for economic and monetary union.

The German compromise sought to assuage Spain by acknowledging that countries that are members of the EU's single currency could continue to benefit from the cohesion funds.

But, in a bid to limit the payments, it said progress in national prosperity could affect the amounts paid, and eligibility should be reviewed in 2002 and 2004. It also set a six-year transitional period for regions no longer qualifying for structural fund payments to wean themselves off EU support.

Kok displays determination to honour 'contract' with voters

But the Dutch prime minister may yet be able to take on the responsibilities of the Commission, writes Gordon Cramb

The reluctance of Wim Kok, Dutch prime minister, to let his candidature go forward for the presidency of the European Commission signals the fragility of his centre-left coalition in The Hague. He is believed to be concerned that, although it has endured 4½ years and its economic record is unmatched, the three-party grouping might not survive his departure.

Mr Kok, who won re-election less than a year ago, reiterated at the weekend that he intended to complete his second term. Amid growing pressure from other European Union leaders for him to take the job, he has been formulating his public comments in a way that makes it difficult for him to reverse that position.

"I have a contract with the Dutch voters until 2002, and I will serve that out," Mr Kok said last week. No Dutch premier has ever resigned during a term to take another job. "That is just not done," says one senior government official. Still, while many in Mr Kok's social democratic PvdA share the view that he is under a democratic obligation to stay, some within the party began saying at the weekend that the decision should be his.

As the Dutch like to regard themselves as model EU citizens, any about-face could be presented to the party and electorate as motivated by the greater good of Europe. But Jan Rood, EU expert at Clingendael, the Dutch international affairs institute, says: "I do not think the Dutch would be convinced. It is very doubtful that under present conditions they consider the president of the Commission such an important job."

He adds: "As long as this government is in office, I do not think it is realistic that Mr Kok departs... Especially from the point of view of the PvdA, its strong position is in large part based on the popularity of Mr Kok."

The prime minister's personal rating among the voters is seen as having played a main role in gaining the PvdA its status as the largest single party. His departure might prompt an awkward collapse in its support at elections to the European parliament in June.

Wim Kok: says he intends to complete his second term AP

By tradition, the premier comes from the ranks of the biggest party. The strongest contender to succeed Mr Kok is Ad Melkert, employment minister until last year and now the party's parliamentary chief. Mr Melkert is not only new in his job but will have difficulty winning acceptance from the free-market VVD, its main coalition partner, where he is regarded as too left-wing.

At the general election last May, the two parties together secured a majority in the lower house. But they retained as junior partner the reformist D66, which has acted as a buffer in frequent clashes between the PvdA and VVD on issues from asylum seekers to toll roads.

Mr Kok's coalition also faces one arcane, but none the less acute problem, which could act as a catalyst. Within 10 days, a parliamentary commission of inquiry is due to report on the handling by successive governments of the 1992 El Al air crash in Amsterdam, which killed at least 43. If serving ministers are found negligent, the VVD is most at risk of being damaged.

Any resignations would require a cabinet reshuffle and, unless Mr Kok is himself found wanting, his party might then have a strong enough hand to secure the succession to the premiership. Equally, if no blame is attached to him or his ministers, he could proclaim that an appropriate moment to take on the responsibilities of the Commission presidency, and demand the coalition resolves its squabbles.

UK proposes sweeping changes for Brussels

By Quentin Peel in London

The British government yesterday proposed sweeping reforms of hiring and firing in the European Union's bureaucracy, and tough new rules for awarding contracts and investigating fraud, to tackle the crisis of confidence in the European Commission.

The blueprint presented yesterday to EU foreign ministers, if implemented, would amount to the most drastic reform of the Brussels civil service since its inception in 1957. It calls for an independent fraud investigation unit, based inside the Commission itself, and an external audit to modernise the entire system of financial management and control.

The British proposals were circulated informally to all fellow member states last week, in the wake of the mass resignation of the 20-member European Commission after a highly critical report on mismanagement, fraud and nepotism.

"This crisis is an opportunity for root and branch reform," the British paper says. "To build a successful Europe for the future, we need to undertake far-reaching reforms of the European Commission."

The paper, which British officials stress contains merely "ideas" for reform, calls for the new president of the Commission, who could be nominated this week at the EU summit in Berlin, to make a personal commitment to shake up the bureaucracy, and appoint a vice-president with the specific task of following through reform of its management, personnel policies, and budget control.

Among the specific proposals put forward are:

- A complete overhaul of the pay system in the ranks of the Commission to ensure that all salaries are "justified";
- Financial and non-financial rewards for good performance;
- A new "structure of accountability" making it easier to penalise and, if necessary, dismiss civil servants for "consistently poor performance";
- A clear definition of job objectives for civil servants, regularly revised;
- Greater mobility within and between branches of the Commission, and promotion based on "proven ability";
- Amalgamation of the two top grades (A1 and A2), and reduction in absolute numbers at the top.

Leaders of the European Parliament's political groups meet this evening to discuss the scope of a second report into the culture, practices and procedures of the European Commission, **adds Emma Tucker from Brussels.**

These include drawing up proposals for legislation, executing policies, and awarding financial contracts. The inquiry is likely to take a close look at the granting of contracts to outside consultants used to manage Commission policies.

Finnish coalition heads for election defeat

By Tim Burt in Helsinki

Finland's coalition government last night appeared to be heading for defeat in the country's general election following a disappointing showing.

Initial projections, based on postal ballots and early results, indicated that the opposition Centre party and the Social Democrats, the largest party in the outgoing coalition, were neck and neck – each with about 23 per cent of the vote. If borne out by the final result, this would force parties to discuss the shape of a new government.

"The people have voted for change," said Esko Aho, the Centre party leader, who is expected to control about 50 seats in the 200-seat parliament. A new government led by the Centre party, which would assume the presidency of the European Union in the second half of this year, would not be expected to introduce any radical changes to the economic and foreign policies conducted by the outgoing coalition, in which the Conservatives also participate.

With 76 per cent of the votes counted, the Social Democrats, led by Paavo Lipponen, saw their share fall to 22.8 per cent, compared with 28 per cent at the last election in 1995. "We have been in the front line on difficult decisions and that is the reason why we have suffered," said Mr Lipponen. "Mistakes have been made."

Although Mr Lipponen oversaw a period of strong economic growth and took Finland into European economic and monetary union, he was criticised for failing to reduce unemployment fast enough or stem rural migration to the cities.

The Centre party has vowed to address unemployment – which is about 11 per cent – by increasing regional aid. It has also pledged to cut income taxes and increase employers' powers in wage negotiations. Some of those policies, however, might be diluted during negotiations on a new coalition. Mr Aho could invite the Conservative party, whose leader Sauli Niinisto is the current finance minister, to remain in government.

Primakov seeks to mend strained US relations

By John Thornhill in Moscow and John Lloyd in London

Yevgeny Primakov, Russia's prime minister, will tomorrow start a critical series of talks in Washington to try to patch strained relations with the US and wring more credits from the International Monetary Fund.

The Russian media have presented the trip as the "make or break" moment in his six-month premiership, which will either boost his chances of succeeding President Boris Yeltsin or fatally knock his credibility. It will also determine the tone of US-Russian relations, badly hit by policy clashes over Iraq, Iran, and Kosovo.

Mr Primakov's main goal is to persuade the IMF to resume its lending programme to Russia, suspended following last August's financial crash. Russian finance officials predict the two sides can clinch a deal by early April, although western officials remain far more wary.

An IMF mission, which left Moscow at the weekend, is due to report on the Russian government's progress in strengthening its public finances, resolving its conflicts with foreign creditors, restructuring its banking system, and introducing new tax reforms.

But Mr Primakov's supporters argue the prime minister has two advantages over predecessors: he is not personally corrupt, and has the backing of the country's parliament.

He will claim that he represents a new type of administration, gradualist rather than radical, determined to root out crime and corruption that infect the highest reaches of the Russian state and able to keep a parliamentary majority on the side of moderate reforms.

Bill Clinton, US president, who will meet Mr Primakov this week, said he hoped the IMF could reach a deal but stressed the Russian parliament must pass the legislation needed to underpin market reforms.

But some US officials remain highly critical of Mr Primakov's government.

Japan may use public funds to repay life insurers' loans

By Naoko Nakamae in Tokyo

The Japanese government is considering using public funds to repay subordinated loans made to Nippon Credit Bank and Long Term Credit Bank by financial institutions including Japanese life insurers. Both NCB and LTCB were nationalised last year, after they were deemed insolvent under the newly passed revitalisation law.

The issue could potentially overturn normal Japanese corporate practice, since subordinated loans have traditionally not been protected when a company goes bankrupt. It also highlights the degree of government concern about the life assurance sector, which could be damaged if they did not get their money back.

The move is likely to be closely watched by other foreign and domestic institutions which have extended loans to weak Japanese banks, since any repayment of subordinated loans would set an important precedent for the rest of the sector.

Officials at the Financial Reconstruction Committee (FRC), the government body charged with bank reform, say no firm decision has been made. However, Hakuo Yanagisawa, head of the FRC, admitted it was a very "painful" issue. The FRC will come under pressure to arrive at a decision soon, since the case is now generating controversy.

The issue is particularly crucial to 10 or so big life insurers including Nippon Life and Dai-ichi Mutual, the top two in Japan, which made around Y700bn ($6bn) in subordinated loans to the two banks. Classification of these loans as "problem" or bad debts would inflict considerable damage on many of the weaker companies' balance sheets. Kyoei Life, which extended Y65m in subordinated loans to the banks, is particularly fragile, and will be especially worried about the treatment of the loans, according to industry insiders.

The FRC has indicated it is prepared to use taxpayers' money to repay these loans. FRC officials maintain this is justifiable because subordinated loans are repayable unless a company becomes bankrupt under normal Japanese law. Although NCB and LTCB were considered insolvent under the FRC code, they were not "bankrupt" under normal law, officials claim.

However, opposition politicians fear that if the FRC repays the loans, it would be guaranteeing all subordinated debt made to insolvent banks which are nationalised. "This is ridiculous," said Yoshito Sengoku of the Democratic party. "Subordinated loans are high-return, high-risk instruments. This is a moral hazard issue. If the government goes ahead and pays back the loans, it will be sending the message that companies can profit from the high interest rates on high risk investments in banks which are about to go under, and still get back their principal at the end of the day."

Education crisis 'threat to Africa's future'

By Michael Holman, Africa Editor

Sub-Saharan Africa faces a "social breakdown" unless urgent measures are taken to tackle the region's education crisis, Oxfam, the international aid agency, warns in a report published today.

The 240-page report, Education Now, marks the launch of an Oxfam campaign to achieve universal primary education by 2015.

A target date of 2000 was originally set 10 years ago at an international conference on education held in Jomtien. Although it was endorsed by more than 150 governments, they failed to achieve it. A decade later, the target remains far out of reach, says Oxfam.

Today there are 125m children out of school throughout the world, and 872m illiterate adults, while a further 150m children start school but drop out before they can read or write.

"If the world's governments fail to act now, 75m children will be deprived of basic education in 2015."

The Oxfam campaign, which has won the backing of Hilary Clinton, wife of the US president, calls for "a global action plan" to tackle the education crisis in Africa and elsewhere, funded by a combination of debt relief, more focused lending by donors, and cuts in military spending by the governments of the world's poorest countries.

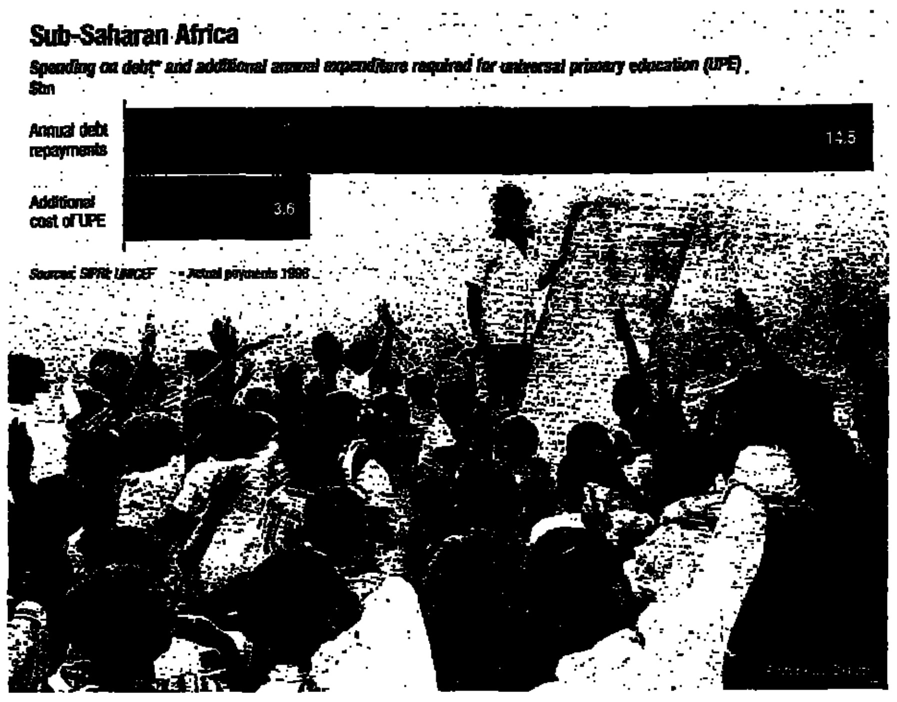
The report singles out sub-Saharan Africa as the region which has the developing world's lowest net enrolment rate – 57 per cent – with over 40m primary school age children out of school. It is the only part of the world where illiteracy is on the rise and on current trends, numbers out of school will increase to 51m by 2005 and almost 55m by 2015.

Countries such as Zambia, Ethiopia, Niger, Kenya and Tanzania, says the report, are spending between two times and four times as much on debt repayments as they are on basic education.

"Unless determined action is taken to address the education crisis, the human resources needed to drive social and economic recovery in the 21st century will not exist."

To meet the target, it will be necessary to enrol an additional 22m children by 2005.

With the right policies and sufficient resources, it can be done, says Oxfam: "Uganda's universal primary education programme has succeeded in increasing enrolments by over 2m in little over a year."



'We educate our children on loan'

Moi Avenue Primary School, on the edge of central Nairobi, has good reason to be proud of itself, **writes Mark Turner in Nairobi.** It regularly scores in the top 5 per cent of urban school examination results, and boasts a computer room, thanks to the activities of Kenya Youth Habitat, a local non-government organisation.

But a brief tour of its grounds and classrooms reveals broken windows, peeling walls with a few tatty educational posters, toilets with cisterns half off the wall, chairs and desks in disrepair. Class sizes are usually above 40 children.

As the government provides only teacher salaries, water and cleaning staff, all teaching materials, repairs, medical supplies or new buildings must be paid for by parents. This year, they will have to spend Ks3,220-Ks3,520 ($50-$55) per child, a high price in a country where a teacher can earn as little as Ks3,000 a month, and a civil servant clerk Ks6,000.

Most schools rely on loans from their co-operatives to survive and the attendance of a handful of street children depends on charitable donations. It is little surprise that Kenyan primary school enrolment dropped from over 90 per cent in 1992 to just over 70 per cent in 1997.

Once scarce resources have been spent on books, electricity and telephone bills, there is little left to build a permanent perimeter fence, to upgrade the sandy patch of ground which passes for a sports field, to erect new classrooms and or to pave the dusty central courtyard which plays havoc with the children's asthma.

"We educate our children on loan," complains Reverend Mrs Elpiety Kamuyu, chairman of the parents' association. "Right now the whole burden is on the parents."

Tokyo, Seoul still differ over North Korea

By Michiyo Nakamoto in Tokyo

Keizo Obuchi, Japan's prime minister, returned from South Korea yesterday with an agreement to strengthen bilateral economic ties, but the visit failed to bridge the gap between the two countries' policies towards North Korea.

In a two-hour weekend meeting, Mr Obuchi and South Korea's President Kim Dae-jung agreed to promote economic ties and to co-ordinate their stance on issues relating to the coming round of talks in the World Trade Organisation.

In a speech to students at Korea University, Mr Obuchi also called on South Korea to join Japan in working towards the establishment of an Asian free trade zone along the lines of the European common market.

As a further sign of Japanese efforts to help its neighbour overcome its economic difficulties, Tokyo offered a further $1bn in aid to South Korea under the $30bn New Miyazawa Initiative set up to assist five Asian countries affected by last year's currency turmoil. South Korea has now received $3.8bn under this programme.

Mr Obuchi's visit highlighted the growing co-operation between Japan and South Korea, which together will host the World Cup soccer games in 2002.

However, the visit, the first by a Japanese prime minister to Korea in five years, was marred by protests against Japan's alleged failure to apologise fully for war atrocities, the lack of full compensation for them, a bilateral fishery treaty, and Japanese moves to provide greater support to US troops in the region.

Furthermore, the weekend summit failed to bridge the considerable gap between South Korea and Japan on their policies towards Pyongyang.

Tokyo has recently indicated its willingness to start a dialogue with North Korea, but has insisted this is contingent on assurances that it will not launch another missile over Japanese territory, as it did last August.

Mr Obuchi took the Japanese position a modest step closer to that of South Korea by stating that Japan supported Mr Kim's "sunshine policy" towards the North. While in Seoul, he called on Pyongyang to "open the door" to communication aimed at reconciliation and mutual exchange.

However, he refrained from offering any further concrete signs that the Japanese stance towards the North might be softening.

Turkey hopes for pipeline agreement before poll

By Leyla Boulton in Ankara and Robert Corzine in London

Turkey is hoping to clinch a deal for a multi-billion-dollar pipeline to transport Caspian oil from the Azeri capital of Baku to its Mediterranean port of Ceyhan before elections on April 18.

Ziya Aktas, energy minister, said at the weekend the government, which hopes to boost its election chances by finalising agreement on the long-discussed pipeline, was keen to save six months that would otherwise be lost while the talks were picked up by a new government.

He said both the governments involved in the project and international oil companies aimed to finish negotiations on an inter-governmental agreement as well as an all-important appendix on commercial terms for a pipeline by April 14.

Ankara's keenness to complete the negotiations is likely to give the oil companies some extra leverage and therefore an incentive to close the discussions.

The moves coincide with intense US government pressure on the BP Amoco-led Azerbaijan International Operating Company (AIOC) to agree to a project which Ankara views as being in its national interest, and which is the centrepiece of Washington's policy to isolate Iran and strengthen the independence of the former Soviet republics in the Caspian Sea region.

Talks due to take place next week will focus on what incentives Ankara is prepared to grant to make the project commercially attractive, given current low oil prices and uncertainty over the eventual oil reserves in the Caspian.

In particular, the talks will determine whether Turkey is prepared to guarantee cost overruns on its $2.4bn estimate for the project.

The AIOC has estimated that the 1,994km pipeline could cost as much as $3.7bn, but officials stress that at present any cost estimate is more of a guess given the lack of detailed engineering studies.

Another stumbling block is a proposed transport tariff. Turkish officials said the $2 a barrel or less transit fee proposed by the oil companies was not realistic. Oil company executives say a price of $10 a barrel oil implies a tariff of only $1.50 a barrel.

There are also differences about the pipeline's route. The oil companies are wary of Turkish plans to build the pipeline and its accompanying service road close to predominantly Kurdish areas. They claim the route is not the most economic one and are concerned that the service road in particular could become a strategic military asset in Turkey's campaign against Kurdish insurgents.

Turkish officials said they hoped the pipeline – which they estimated would take 3½ years to complete – would be ready by the end of 2003 or 2004. AIOC officials say, however, it is unlikely to be needed before 2005.

● An explosion hit the Turkish section of an oil pipeline carrying crude from Iraq to Turkey yesterday, security officials said, Reuters reports from Diyarbakir. The blast came during a Kurdish new year festival that is often a focus of separatist violence.

Banks urged to improve risk management procedures

By George Graham, Banking Editor

New steps to improve banks' risk management practices are needed to avoid a repetition of the financial market crises of the last 18 months, according to two new reports from the Institute of International Finance, which groups the world's leading banks, securities houses and investment groups.

An IIF task force set up in the wake of the Asian crisis of 1997 found that most large financial institutions were reasonably satisfied with their systems for assessing market risk, and had started to manage down their exposures as early as January 1997. They were also broadly comfortable with their credit risk assessment systems.

But they found that these systems were working in isolation from each other, and dealt inadequately with the linkages between the different categories of risk.

They had also failed to take enough account of liquidity risk, the risk that the market might dry up and make it impossible to sell out of a position without big losses. This risk came home to roost after the near collapse of Long Term Capital Management in 1998, when even the most liquid of markets became very difficult to trade in.

Sir David Walker, chairman of Morgan Stanley International and a member of the IIF steering group on emerging markets finance, said the financial world's intellectual firepower had for the past five years been focused more on the development of modelling techniques for market risk.

"I think there has been some effect of diverting attention from credit risk modelling and from the linkages between the two."

Sir David noted that if a bank wanted to cut its market risk, the quickest way to do so was by striking a trade in derivatives with another bank. That, however, would increase the bank's credit risk by boosting its exposure to a single counterparty.

The IIF reports also propose:

● Better legal frameworks in emerging markets to improve the enforceability of collateral and netting agreements in the case of default.

● Better communication within financial institutions to ensure that changes in portfolio strategy are actually carried out by managers in the field.

● Issues of long-term government debt in emerging markets to help emerging local capital markets.

● More transparency on economic data, including the publication of international reserves data weekly, and with no more than one week's lag, compared with the existing International Monetary Fund standard of monthly publication.

Reports available at www.iif.com

Asean call for more open, better regulated financial system

By Jonathan Birchall in Hanoi

Finance ministers from the nine members of the Association of South East Asian Nations (Asean) ended two days of talks in Hanoi at the weekend with a call for greater openness and improved regulation of the international financial system in the aftermath of the Asian economic crisis.

The ministers called in particular for "greater transparency" in the operations of international ratings agencies, and for "closer and more co-ordinated monitoring of short-term capital flows". Their final statement also called for tighter regulation of big market participants, arguing that "highly leveraged institutions which have systemic significance should be subject to regular and timely transparency and disclosure requirements".

Thailand's deputy finance minister, Pisit Leeahtam, and Singapore's finance minister, Richard Hu, both stressed that the proposals did not represent support for increased restraints on market activity.

The final statement left out more interventionist proposals from Malaysia. However, Malaysia's second finance minister, Mustapa Mohamed, welcomed it.

The ministers also moved ahead with plans proposed last year to set up a system for monitoring the economies of its members, which is supposed to provide early warning of a possible repeat of the market collapses of 1997. The Asean surveillance process will now be run out of the group's Jakarta secretariat, under the current head of the Asian Development Bank's regional economic monitoring unit in Manila, Pradamuna Rama.

The Asean ministers expressed guarded optimism about the prospects for economic recovery in the region this year. But their statement also expressed concern about threats including rising protectionism, continued weakness in the Japanese economy and currency fluctuations.

Manila to take politicians' fingers out of the pork barrel

Philippine budget funds in the past have too often been quietly diverted into local projects, but more transparency and rationality are on the way, writes **Tony Tassell**

Across the Philippines are hundreds of basketball courts and bus shelters, legacies of the country's often flawed budget process.

The diversion of funds into politically popular projects such as the bus shelters and sports facilities has been a recurring feature of what has sometimes seemed more like a division of the spoils among politicians than a transparent budget process.

In past budgets, government officials estimate around 8 to 10 per cent of the budget was allocated to discretionary funds for politicians for projects in their districts, popularly known as "pork barrel" funds in the Philippines. Not surprisingly, this has been a prime source of corruption, leading to poor-quality investment and a reinforcement of the politics of patronage.

Reform, however, is under way with the Estrada government aiming to introduce greater rationality into the budget process.

Besides tackling the pork barrel funds, the government aims to introduce longer-term planning into the budget, increase the transparency of the release of funds and change the financing mix of the country's deficit to reduce the "crowding out" of private sector borrowers in the local market.

The budget reform programme may seem at odds with the reputation of Joseph Estrada, the Philippine president better known for his former career as a movie star. But as mayor of the Manila suburb of San Juan, Mr Estrada also had a fair reputation for financial management by delegating to competent officials given enough autonomy to pursue their jobs – a style of management he has continued at the national level.

"His budgets at San Juan did run at a surplus," says Benjamin Diokno, the budget secretary recruited from academia to reform the budget process. Already there has been significant progress in the national budget.

Much of the pork barrel system has already been reformed. The size of the funds allocated to each congressman has been restricted to an average of 30m pesos ($770,000) each, totalling about 1.5 per cent of budget expenditure, much reduced from past levels.

More important, the end use of funds has been restricted and the power to release funds taken out of the hands of the politicians.

Congressmen can now earmark the division of funds for projects in their districts only from a limited list of government priorities, such as infrastructure, education and poverty reduction. Funds will also be directly released from the Department of Budget and Management to contractors.

In other areas, the government is aiming to draw a three-year framework for key budget targets with the Philippine Congress. This is aimed at injecting some longer-term planning and reducing the annual delays in passing the budget through Congress while debates rage, usually over the level of pork barrel funds.

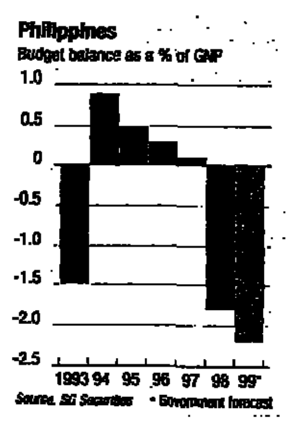
The longer-term planning will also improve the quality of spending. Under the past system, politicians would seek as many funds as possible in one year and spend them, even if they were not enough to complete the projects. The result is a plethora of half-finished projects.

Another big change has been to change the financing mix of the deficit, projected this year at 2.2 per cent of gross national product. In the past, the domestic money market has been the prime source of borrowed funds.

With the budget balance turning into deficit for the first time in five years in 1998, the government has switched to raising funds abroad to reduce the effect of "crowding out" private sector borrowers. This in turn has led to substantial falls in interest rates on local money markets.

Mr Diokno says about 50-60 per of the deficit this year will be financed from funds raised from international money markets and loans from multilateral institutions. Already, the government has raised more than $1.3bn this year in foreign bond issues.

On the revenue side too, the government is aiming to increase the woeful levels of tax compliance through computerisation and a controversial plan to make all citizens declare their assets and liabilities. Mr Diokno says only about 1m of the 70m people in the Philippines currently pay tax.



The prime task, however, may be to see less money is spent on projects such as basketball courts and more on economically worthwhile developments and programmes.

"The real challenge is to improve the quality of spending," says Mr Diokno.

Ecstatic balloonists celebrate triumph

By Mark Huband
in Dakhla, Egypt

A mixture of joy and fatigue beamed from the faces of the Breitling Orbiter 3 balloon team as the two men were picked up by helicopter from the Egyptian desert after becoming the first balloonists to fly non-stop around the world.

Bertrand Piccard from Switzerland and Brian Jones from Britain landed their 50-metre-high balloon north-west of the Egyptian oasis town of Dakhla after a 21-day journey of 44,000km (27,000 miles).

"We had the most amazing experience. The two of us left as reasonably good friends and now we are extremely close," said Mr Jones, a former pilot. "The worst part was the cold. It was incredibly cold, and the cold saps the spirit."

Mr Piccard described the exhilaration of being surrounded only by wind and clouds as the world sped by 10,000ft (3,050m) below them. "It was not just two people closed up in a closet. It was extraordinary to be in that kind of contact with nature. To sense nature. To hear the wind," he said.

The circumnavigation ends a four-year battle between rival teams to achieve the last remaining feat in ballooning.

Celebration of the landing was marred by the apparent reluctance of the Egyptian authorities to provide timely assistance to the team sent to collect the two balloonists from the rocky plateau upon which they landed at 5.52am yesterday.

The retrieval team led by Alan Noble, Breitling Orbiter flight director, said Egypt had promised two helicopters to retrieve the pilots after their 21-day flight. The team flew to Dakhla yesterday morning and waited six hours before arranging their own transport to the landing site.

The Egyptian authorities finally sent a helicopter late in the afternoon.

The balloonists meanwhile spent over six hours showering themselves in the ice that fell from the skin of their balloon. At the foot of the steep mountains on the other side of which the balloon had landed, soldiers barred reporters from following the retrieval team. The barren terrain had been chosen as the landing site once the balloon had only enough fuel for 50 miles more.

The landing took four attempts. The Breitling support team circled around the balloon in an aircraft as the vast silver craft slipped down towards the earth.

As it drew close, a vast sheet of melting ice frozen to the balloon crashed on to the desert sand. This sudden weight loss sent the balloon first bouncing to the ground and then soaring upwards, until it was brought down at the fourth attempt.

The balloonists had hoped to reach the three huge pyramids at Giza outside Cairo, but strong seasonal winds forced them south.

Reserved Chileans anxious to forget country's dark past

Most politicians and many voters hope Pinochet will fade away after this week's Law Lords' decision, writes **Mark Mulligan**

When Chile downs tools on Wednesday as the Law Lords – Britain's highest court – deliver their second verdict on the immunity of General Augusto Pinochet, police will be rolling their elephantine water cannons into position to deal with the inevitable demonstrations and celebrations.

If they rule against the former military dictator, the clamour will come from outside the British and Spanish embassies in Santiago's leafy, prosperous uptown area, where a small band of Pinochet supporters have become part of the streetscape since their former leader was detained in London five months ago.

If he is released, the general's opponents will be marching through the downtown Santiago to remind the government of its promise to deliver justice in Chile's courts. In either case, there will be arrests and perhaps a few injuries, but by Thursday most Chileans will have returned to normal rhythm of life in the atypically reserved Latin American country.

In spite of the apocalyptic scenarios painted by politicians and commentators when Gen Pinochet was arrested on October 16, the country is still functioning, the army is safely in barracks and Colo Colo, the nation's favourite football team, remains the most popular topic of conversation.

According to Eugenio Tironi, a leading academic and former director of communications in the ruling centre-left coalition government, the protracted and distant nature of the Pinochet case has given Chileans time to reflect on the country's dark past and accept this latest development as just another stage in the reconciliation which began with the 1988 plebiscite to end military rule.

A trial in Chile would test the will of President Eduardo Frei

"The fact that this whole process has taken place in another country, with exotic characters such as the Law Lords, and in so many different stages, has allowed Chileans to view it all with increasing coldness."

He says if the Law Lords clear the way for Gen Pinochet to be extradited to Spain to face charges of genocide and torture, the former military ruler will eventually fade from public consciousness. However, legal experts say the government, which is already bowed under the weight of criticism for its decision to defend the general in the latest hearings, will find it harder to shake off the former dictator.

"Most politicians wish this would go away," says José Zalaquett, a leading human rights lawyer and one of the architects of the Truth and Reconciliation Commission established in 1990 to compensate the families of people who disappeared during the military regime. "But if the Lords rule against Pinochet, the government will come under intense pressure from the military to intervene in the extradition process."

If Gen Pinochet returns to Chile, the administration will be called on from the other side of the political establishment to honour its promises of trying the former dictator on home turf, an outcome favoured by 70 per cent of the population, according to recent polls.

A trial in Chile, complicated by an amnesty law covering the most brutal period of Gen Pinochet's reign, would test the will of President Eduardo Frei in the final nine months of his six-year term. "Frei's administration has tended to be reactive, rather than proactive, in the question of claims against the military government," says Mr Zalaquett. "Before they've been little problems, which could be left to the courts. Now he's got a big problem which calls for judicial reform."

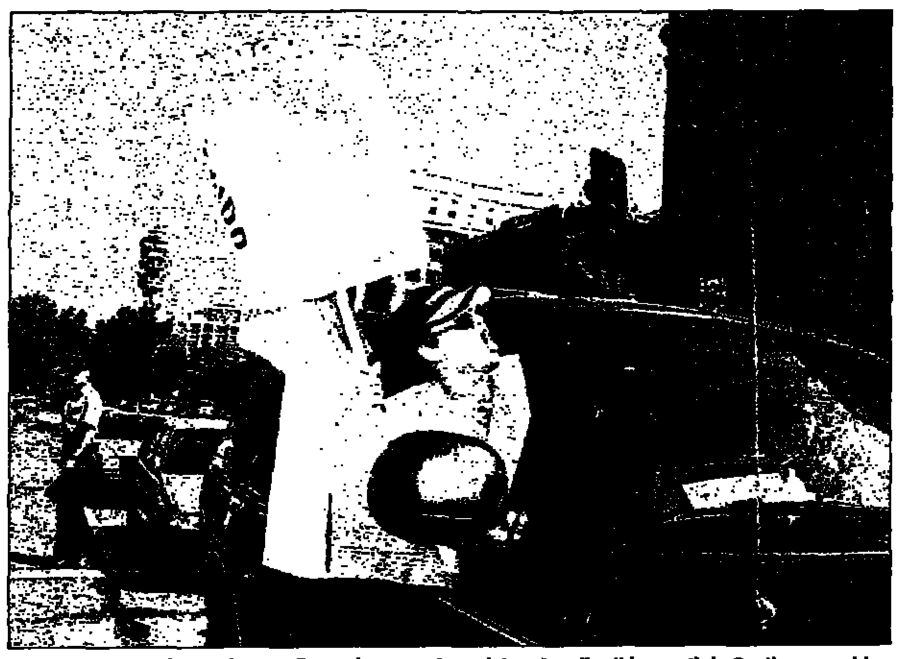
Gen Pinochet's detention in London has also proved embarrassing for the country's rightwing opposition parties, which are trying to distance themselves from recent history in the same way that Spain's Popular party shed the the memory of General Franco, the former rightwing leader.

Despite the nationalist rhetoric in the early days of his detention, political analysts agree that Renovacion Nacional and the Independent Democratic Union (UDI) are secretly relieved to have Pinochet abroad while they muster their forces against the likelihood of Chile's first socialist president since Salvador Allende, who committed suicide on the night of Chile's 1973 military coup. "But if he does come home, it must be as the victor against the forces of international socialism," said one. Joaquí n Lavín, UDI's presidential candidate, this week called on Chileans to forget about the past and "opt for the future".

Meanwhile, Ricardo Lagos, the Socialist party candidate and the man most likely to be the country's next president according to the last polls, reiterated his call for a judicial solution.

Mr Lagos is well remembered in Chile as the man who mobilised the country to vote against an extended term for Gen Pinochet in the 1988 plebiscite, a role which cost him a brief detention as a suspect in an assassination attempt on the dictator that year.

"If any one candidate has gained any advantage through the Pinochet case, it's Lagos," said Mr Tironi.



Pinochet motorcade: the former dictator's supporters pictured earlier this month in Santiago provide a taste of things to come after the Law Lords' ruling this week AP

OUTPUT CUTS PACT LIFTS CRUDE PRICES

Mexico hopes to gain from oil agreement

By Andrea Mandel-Campbell
in Mexico City

Mexico's oil industry may be on the road to recovery after an agreement last week on a new round of production cuts by the world's leading oil exporters.

A deal reached by the Organisation of Petroleum Exporting Countries (Opec) oil cartel and non-Opec members in The Hague to reduce exports by 2.4m barrels a day as of April 1 pushed prices from a low of $7.66 a barrel for Mexican crude last month to above $11 in recent days.

The rapid rise drove prices well above the benchmark of $9.25 for the Mexican blend, below which government coffers lose an estimated $920m for every dollar that prices fall.

Last week, Petróleos Mexicanos (Pemex), the state-run oil company, announced net losses of 10.6bn pesos ($1.08bn) for 1998 after Mexican crude dropped to its lowest level in 12 years, averaging $6.30 a barrel last year.

The loss, which comes after net earnings of 7.8bn pesos in 1997, forced the government, which relies on oil taxes and royalties for a third of its revenues, to introduce severe budget cuts to keep the fiscal deficit in check.

Mexico agreed to cut crude exports by 125,000 barrels a day under The Hague accords, bringing total export reductions over the last year to 325,000 barrels or about 10 per cent of national production. But while previous reductions failed to raise prices, resulting in Pemex budget cuts and further fiscal tightening, this cut should pay off, oil analysts said.

"Pemex is sacrificing 125,000 barrels out of 3m for a 33 per cent rise in prices," said Ken Miller, oil analyst with the Texas-based Purvin and Gurtz Consulting. "It's well worth it."

But just how long Mexico's good fortune will last depends on the staying power of oil exporters. All eyes would be on a meeting of Opec members in Vienna tomorrow to ratify officially The Hague accord for further confirmation that countries will honour their commitments, market watchers said.

If the agreement was approved, prices were expected to rise again, said analysts, who are predicting a 75 per cent compliance rate. And if all goes smoothly, prices should hold at $16 a barrel until the end of the year for the benchmark West Texas crude, said Mr Miller, after averaging $12 in recent months.

'Pemex is sacrificing 125,000 barrels out of 3m for a 33 per cent rise in prices'

"The cut will make quite a substantial impact on the market over the next year if they can do it," said Mr Miller. "The market has reached bottom and we are finally seeing the beginnings of a turnaround."

Rafael Quijano, managing partner of the Washington-based Latin America Petroleum Intelligence Service, said there were more than a few weak links in the chain, including Nigeria and the United Arab Emirates, which could potentially renege on their reduction commitments if prices continued to climb.

"The danger is others may try to cheat while Mexico remains disciplined," said Mr Quijano.

WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Alcan Aluminium $0.15
Asahi Breweries Y730,000
Bank of Ireland Sub. Bds. 2005 £97.50CGU 10¾% Bds. 2002 £107.50. City Merchants high Yield Tst. 4p
Commercial Loans on Invst. Prop. Secs. Class A Mort Bkd. FRN. 2009 £33.46. Do. Class M1 Mort. Bkd. FRN. 2009 £183.86. Do. Class M2 Mort. Bkd. FRN. 2009 £188.79. Do. Class B Mort. Bkd. FRN. 2009 £261.53, Daiwa Europe Bank Nts, 2002 Y2,400,000
East Midlands Electricity 8.375% Bds. 2006 £83.75. NMBZ Hldgs. Fin Z$ 1.3248. Do. Ord. FIN Z$ 1.3248
Rio Tinto Canada Nts. 2001 $60, S.G.W. Fin. 13¼% Gtd. Nts. 2001 A$$31.250, Welsh Water Utilities Fin. 7⅝ Gtd. Bds. 2014 £76.25

■ **TOMORROW**
Amer Grp. FMK1, E.I.D. Parry (India) IR1.50
Eksportfinans Sub. FRN. 2002 $26.55. European Invst. Bk. 11% Ln. 2002 £275. First Active £48.85
Glory 5.6% Bds. 2000 Y560,000, Swallow Grp. 9.875% 2015 £4.9375. Do.10¾% 2019 £5.375, Do.11¾% 2010 £5.875, Thyssen AG. DM16, Do Br Certs of Dep. DM3.20

■ **WEDNESDAY MARCH 24**
All Nippon Airlines 6.35% Nts. 2000 Y635,000, Asian Dev. Bank. £256.25, Birmingham Midshires Bldg. Soc. FR.sub. 2005 £39,388.43, Boots Co. 10⅞ Bds. 2017 £2,531.25, British Land Co. 8⅞% 1st. Mort. Db. Bds. 2035 4.4375. FCE Bk. FRN. 2001 £16.02, Greenalls Grp. 11½ Db. 2014 £5.75, Do. 7% Conv. Sub. Bds. 2003 3.5p, Guaranteed Overseas Loan Fin. FRN. £3,673.46, Intl. Bank for Reconstruction and Dev. 2010 £4.75, Kingspan Grp. IR0.85, Midland Bank Undtd. FR. cap. Nts. $285.95
Quester VCT 1p, Sidlaw Grp. 7½% Unsec. Ln. 2003/08 £3.75, Spain (Kingdon of) 11¾% Ln. 2010 £293.75

■ **THURSDAY MARCH 25**
ABF Invst. 5½ Unsec. Ln. 1987/2002 1.375p, Do. 7½% Unsec. Ln. 1987/2002 1.875p
British Land Co. 8⅞% Bds. 2023 344.75, Do. 12½% Bds. 2016 3625
Cable & Wireless Intl. Fin. 8¾% Gtd. Bds. 2019 £862.50
CW Residential 1p
East Midlands Electricity 12% bds. 2016
Hercules $0.27
HIH Capital 7½% Conv. Cap. Bds. 2006 £187.50
Hyder 10¾ Bds. 2002 £537.50
Japan Airport Terminal 6.4% Bds. 1999 Y640,000
Kvaerner Process 4⅞% Sec Ln. 1994/99, Do. 9½% Unsec. Ln. 2000/05 £4.75
Logica 1.15p
Manchester Corp. 3% £0.75
Marston, Thompson & Evershed 123p
Metropolitan Water Board Chelsea Water Works 2¾% £1.375
New Zealand 11½ 2014 £287.50
Nippon Telegraph and Telephone 6% Global Nts. 2008 $30
Northern Electric 12.661% Bds. 1999 £633.05
Northern Rock 10⅜% Sub. Bds. 2018 £1,037:50
NORWEB 8.875% Bds. 2026 8.875p
Nottingham Corp. Water Ann. £0.68
Railtrack 9.125% Bds. 2006 £91.25, Do. 9.625% Bds. 2016 £96.25
Royal Insurance Hldgs. 9⅝% Sub. Bds. 2003 £96.25
Shiloh 10p
Sotheby's Hldgs. $0.10
Tendring Hundred Water Services 4% Db. £2

■ **FRIDAY MARCH 26**
Anglogold R8
BankAmerica Corp. $0.45
BFS Income & Growth Tst. 2.5p, Do. 2.5p
BG 10⅞% Bds. 2001 £108.75
British Govt. 12¼% Exch. 1999 £6.125, Do. 13½% Treas. 2004/08 £6.75
British Land Co. 6% Sub. Irrd. Bds. £30
British Telecommunications 8⅝% Bds. 2020 £86.25
Cedar Grp. 0.8p
Daily Mail & Gen. Tst. 5¾% Exch. Bds. 2003 £28.75
Gartmore Fledgling Index 0.4p
Harmony Gold Mining R0.50
Hibernian Grp. IR0.4p
Independent Newspapers IR6p
INVESCO Conv. Tst. 1p
INVESCO Recovery Tst. 2.2625p
Irish Continental Grp. IR5.18p
Irish Permanent IR13.4p
Ishihara Sangyo Kaisha 5.7% Bds. 2003 Y570,00
Jersey Phoenix Tst. 3.05p
North British Housing Ass. 8⅝% Gtd. Sec. 2016/20 £4.3125
PowerGen 8⅞% Bds. 2003 £887.50
Scotia Hldgs. 8.5% Conv. Bds. 2002 £42.50
Scottish & Southern Energy 7.7p, Do. 7.875% Bds. 2007 £78.75

■ **SATURDAY MARCH 27**
Mersey Docks & Harbour Co. 6¾% Rd. Db. 1996/99 £3.375

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:
Updown Inv, 12, Tokenhouse Yard, EC, 11.45

BOARD MEETINGS:
Finals:
Alexon
Asda Property
Core Group
FBD
Flying Flowers
Meristem
Morgan Crucible
Nestor Healthcare
Newquest
Peptide Therapeutics
Roxboro

Interims:
Schroder Ventures Intl
Wescol

■ **TOMORROW**

COMPANY MEETINGS:
Nightfreight, Tranmere Rovers FC, Prenton Park, Prenton Rd West, Birkenhead, 12.00

BOARD MEETINGS:
Finals:
Capital Industries
Baynes (C)
BLP
Boosey & Hawkes
Delta
EBC
Hunting
Iceland
Macfarlane
Moorepay
Newport
P & O Steam
Pegasus
Severfield-Reeve
Sherwood Int

Interims:
Allied London Props
Dowding & Mills
Frogmore Estates
Scottish Metropolitan

■ **WEDNESDAY MARCH 24**

COMPANY MEETINGS:
Allied Textile Cos, Forte Posthouse Hotel, Clifton, Brighouse, W Yorks. 12.00
BWD Securities, Quayside House, Canal Wharf, Leeds, 11.30
CW Residential, 1, Riding House St, W1, 3.00
Dobbies Garden Centres, *Melville Nursery, Lasswade.* Midlothian, 12.00
Domnick Hunter, Mint House, 77, Mansell St, E, 10.00
Soundtracs, Unit 21-D, Blenheim Rd, Longmead Business Park, Surrey, 12.00

BOARD MEETINGS:
Finals:
Alliance UniChem
Brake Bros
Chelsfield
City Centre Restaurants
Darby Group
Fishers Intl
Flextech
Glynwed Intl
Independent News
Matthews (B)
Next
Quality Software
Slough Estates
Stanford Rook
Taylor & Francis
Television Corp
Weir Group
Wolstenholme Rink

Interims:
Barratt Developments

■ **THURSDAY MARCH 25**

COMPANY MEETINGS:
Crest Nicholson, Runnymede Hotel, Windsor Rd, Egham, Surrey, 12.00

BOARD MEETINGS:
Finals:
Alvis
Ask Central
Daniels (S)
Informa
Kingspan
Lionheart
Norcor
Novara
Ottakar's
Premier Oil
Silvermines
Singer & Friedlander
UCM

Interims:
Cairngorm Dem Inv
Leicester City
Northern Leisure
Scottish Oriental

■ **FRIDAY MARCH 26**
BOARD MEETINGS:
Finals:
Autologic
Emess

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately *six weeks after the board* meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES, VENUES AND COURSES

CONFERENCES

MARCH 24 - 26
NAPF Investment Conference 1999
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MARCH 30 & 31
Central & Eastern European Power Industry Forum
High-level forum for ministry officials, utilities, advisors, investors analyzes gas and electricity sector co-operation, project financing, privatization, investment.
"Energy Regulation and Energy Trade" Pre-Conference Seminar March 29
Venue: Sheraton Hotel
Contact: PennWell Publishing UK C&E
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Fax: 44 1708 379344
email: pennwell@compuserve.com
Warsaw, POLAND

April 20 - 21
Financial Analysts Seminar - Europe
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APRIL 21
Information Management Across The Supply Chain – *Plan, Source, Make, Deliver*
• e-supply chain • Role of IT in replacing inventory & resources • Collaborative promotions planning - manufacturer/retailer • Manufacturers - sourcing supplies over the Internet • Retailers - web-based e-commerce • Challenges of the web-enabled business • Workflow and the integrated supply chain.
Brochures from organisers: - NMHC
Tel +44 (0)1234 750323
Fax +44 (0)1234 752040
Email: hcs@cranfield.ac.uk
NORTHAMPTON

APRIL 22 & 23
FT World Pharmaceuticals
Distinguished speakers include: Mr Fred Hassan, Pharmacia & Upjohn; Mr Robert Ingram, GlaxoWellcome Plc; Dr Anthony H Wild, Warner-Lambert Company; Professor Dr Horst Meyer, Bayer AG; Mr Henry Wendt, Unit of Donaldson Lufkin Jenrette Merchant Banking; Mr Eli Hurvitz, Teva Pharmaceutical Industries Ltd; Mr Gilles Pajot, IMS HEALTH.
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Fax: +44 171 873 3067
e-mail: monique.arkesteijn@ft.com
LONDON

APRIL 23
UK Financial Services: Time to Restructure?
Examine the key issues facing the UK financial services industry at this interactive forum. Leading speakers include: David Clementi - Deputy Governor, **Bank of England**: Peter B Ellwood - Group Chief Executive Officer, **Lloyds TSB Group**: Tim Jones - Managing Director, Retail Banking Services, NatWest. Jim Spowart - Managing Director, **Standard Life Bank.**
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April 23
Improving the Performance of the Growing Business Sector
This conference, organised by the UK 200 Group, a *nationwide* organisation of Chartered Accountants, addresses the needs of the *SME* sector. The agenda, including presentations by leading financial figures, *covers such issues as* Employment Law, the Euro, Financial and Economic Prospects for the sector, IT, Managerial and Presentation solutions.
Details (01252) 333511
Fax (01252) 350733
The UK 200 Group
Café Royal, London

APRIL 27
***The Race To Raise Your* Profile [and your bottom line]**
Public Relations conference at Aintree Racecourse, Liverpool. Speakers: Max Clifford; Martin Wainwright, The Guardian; Richard Wheatly, chief executive, Jazz FM; Christopher Gibaud, chief executive Mersey Partnership; Jon Shaw, Deloitte & Touche.
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Fax: 01295 821122
email: tacey@showmatters.com
AINTREE RACECOURSE, LIVERPOOL

May 4 & 5
Nigeria – Debt, Development and Democracy: Prospects and Challenges
Distinguished Speakers include: Mr Hiroyuki Hino, Senior Advisor, African Department, International Monetary Fund; Mr Hakeem Belo' Osagie, Chairman, United Bank for Africa Plc; Mr Jeremy Pope, Executive Director, Transparency International; Mr Freddie Scott OBE, West Africa Committee Representative, Nigeria; Mr Jim Massey, President, Mobil Europe and Africa Limited; Dr Jonathan Long, Managing Director, First City Merchant Bank Limited; Mr Keith Richards Regional Director, Guinness Africa; Mr Ray Ekpu, Chief Executive, Newswatch; Professor Tony Hawkins, Professor of Business Studies, University of Zimbabwe.
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MAY 11 - 14
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Hotel Arts Barcelona, Barcelona, Spain
Contact: Loretta Spingler, RMA, mention the FT ad
Tel: 215-446-4081
Fax: 215-446-4101
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May 14
London Motor
Distinguished Speakers include: Mr John Simpson, Deputy Chairman *and Chief* Executive, The Mayflower Corporation plc; Mr John M Neill CBE, Group Chief Executive, Unipart Group of Companies; Mr Andrew Jackson, Deputy Chairman, BIMTA; Mr Robert N Edmiston, Chairman and Chief Executive, IM Group Ltd; Mr Graham Broome, Chief Executive, SMMT Industry Forum; Mr Gregory Melich, Vice President, Morgan Stanley & Co. International, Limited, Mr Michael Woodward, Director Automotive Practice, KPMG; Professor Garel Rhys OBE, Director for Centre for Automotive Industry Research, Cardiff Business School.
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May 26 - 28
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June 14 & 15
FT World Gold
Distinguished speakers include.
Mr David Clementi, Deputy Governor, Bank of England; Mr Jean-Pierre Roth, Vice Chairman of Governing Board, Swiss National Bank; Mr Randall Oliphant, President and Chief Executive Officer, Barrick Gold Corporation; Mr Chand Mehra, Director, Enchante Jewellery Limited; Mr Manabu Kido, Head of Metal Department Manager, Metals Commodities Department, Sumitomo Corporation Europe plc; Mr George Milling-Stanley, Manager Gold Market Analysis, World Gold Council; Mr Ted Reeve, Gold Analyst, Equity Research, Scotia Capital Markets; Mr Neil Newitt, Consultant, J Aron Goldman Sachs
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COURSES

APRIL 7 - 9
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APRIL 12 - JUNE 1
FT City Course
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APRIL 14 - 16
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Conferences, Venues & Courses

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APRIL 26 - 30
Understanding Corporate Treasury
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APRIL 28 - 30 (Revised Date)
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MAY 11 - 13
Corporate Finance
Intermediate level aimed at those in corporates and banks who need to understand valuation, capital structure, shareholder value and funding. • Key concepts in finance • Cost of capital • Review of investment appraisal • Debt/equity management • DCF valuation • Valuation multiples • Acquisition funding • Shareholder value • Practical case studies - MBO, M & A.
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Home Counties

ESOMAR WORKSHOPS 1999
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- Planning and Coordinating Multi-Country Research, *12-14 April*
- Harmonising Multi-Country Data Collection and Consolidation, *14-16 April*
- Marketing for Researchers, *26-28 April*
- Advertising for Researchers, *28-30 April*

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- *Marketing in Latin America in the 21st Century*, 25-28 April 1999, Sheraton Hotel Santiago, Chile
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- HRTP25 Japan Industry Insight: [illegible]

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LANGUAGE COURSES

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EUROPEAN COMMISSION FORMER CONSERVATIVE PARTY CHIEF WHIP EMERGES AS FRONT-RUNNER TO SUCCEED BRITTAN

Ex-Hong Kong governor trails in Brussels race

By Robert Peston

Alastair Goodlad, the former chief whip in the opposition Conservative party, has re-emerged as the most likely candidate to succeed Sir Leon Brittan as one of the UK's two European commissioners.

This is likely to be a blow to Chris Patten, the former Hong Kong governor and Conservative party chairman, whose candidacy was being backed by senior members of the Labour government.

Even though Mr Goodlad is the nominee of William Hague, the Conservative party leader, and an old friend of Tony Blair, the prime minister, it has been widely thought around the Houses of Parliament that Mr Patten had the edge in the race.

But one of the prime minister's close colleagues said: "We are likely to respect the conventions."

He was referring to the tradition that the opposition's official candidate – in this case Mr Goodlad – should get the job.

Mr Patten said yesterday that the prime minister's office had not sounded him out formally or informally about the job. "All I know is what I read in the newspapers," Mr Patten said. He added that there was no point in campaigning to get the position.

A colleague of Mr Blair pointed out that Mr Patten was occupied with the "big job" of reviewing the Royal Ulster Constabulary, the Northern Ireland police force, to take account of the new political settlement in the region.

The prime minister called for the establishment of a new meritocracy in Brussels after the mass resignation of the Commission last week following an official report accusing it of mismanagement.

He and Mr Goodlad struck up a friendship over many years as "pairs" in the House of Commons. "Pairing" allows MPs from opposite parties to absent themselves from votes in the chamber without altering the balance of power.

Like Mr Patten, Mr Goodlad is an unusual Conservative for being staunchly pro-European.

A senior official said that Mr Goodlad's main disadvantage was that he was a "backroom boy" who appeared uncomfortable making speeches or appearing on television.

Meanwhile, the Pro Euro Conservative party, recently set up by two members of the European parliament who defected from the Conservative party, announced it had recruited five new candidates to fight the forthcoming European elections.

They include Marcelle d'Argy Smith, former editor of Cosmopolitan.

The party also acquired the support of Sir Anthony Meyer, the former Conservative MP who famously stood against Margaret Thatcher in a leadership election in 1989, a year before she was toppled.

Struggling Greens see a glimmer of hope for success

The English and Welsh party believes that proportional voting will improve its election prospects, reports **Sathnam Sanghera**

The Green Party for England and Wales has always been the sickly cousin of the European Green parties.

Whereas Greens on the continent have some 27 members of the European Parliament between them and have members in key positions of national government, the English and Welsh Green party has never had a representative in any political body beyond local government.

But thanks to a new system of proportional voting being introduced for this year's European elections in Britain, the party believes it will have at least one member of the European Parliament by June. It is also hoping for seats in elections to the new Welsh assembly, which will also be held under a system of proportional representation.

The party has always claimed that Britain's majority electoral system forcibly marginalised it. In the 1989 European elections it won 15 per cent of the vote but got no seats. Since then support has fallen off – at the last election it failed to reach even 2 per cent of the vote.

But this year should be different, says the party, pointing to the results of a January opinion poll. This showed that 16 per cent of electors would be more inclined to vote Green in the European elections if they thought PR would give the party a chance to win a seat.

"Taking account of the regional variations in this figure, it will only require half of these people actually to vote Green for the first British Green MEPs to be elected," Mike Woodin, one of the party's joint leaders, said at this weekend's spring Green party conference.

Andy Spring, a party spokesman, said: "If people think we can win seats then they will vote for us. 1989 was a good year for champagne sales and people tend to vote for us when they are feeling affluent. With all the champagne that's going to flow for the millennium year, it'll hopefully be a re-run of 1989."

Joint leader Mike Woodin at the Green party's weekend spring conference — Colin Beere

The Greens' top target is London, where they are confident of winning the 9 per cent share of the vote needed to get a seat in the Strasbourg parliament for Jean Lambert, the party's second joint leader.

Mr Woodin told the conference: "We are sharpening up our political act." But there were few signs of this at the meeting, which had a decidedly shabby feel about it.

"People don't take us seriously," admitted Isle Isbey, who has been a member of the party for more than 20 years. "The British public just think we just hug trees and don't realise we have a full political programme."

Adam Swallow, an election co-ordinator, added: "We are seen as extreme because we are not generally seen and we are not generally seen because we are seen as extreme."

But the Greens stand to benefit from a number of factors in their favour, aside from the new electoral system. Their opposition to genetically modified food taps into a growing concern in Britain about its health disadvantages. And their campaign for more openness in the European Union coincides with increasing unhappiness about the way the EU is run.

Their opposition to the European single currency, which most other European Green parties support, could also make them popular with electors, who are generally sceptical about the euro.

"We want economic decisions to reflect a much broader range of social and environmental factors than they do now. To achieve this we need the flexibility to be able to mould the economy to local conditions," said Mr Woodin.

"We are a party that is in tune with the people," he added. "The people might not realise it yet, but it is true."

Gene research centre in plea for expansion

By Brian Groom in London

The Wellcome Trust, the UK research foundation, will this week warn that the UK is set to lose its leading role in genomics unless the trust is allowed to go ahead with a £100m ($163m) expansion of its Hinxton Hall complex.

Drugs, medicines and therapies would be produced overseas, it will argue at a reopened public inquiry into the most explosive test case of the conflict between protecting the countryside and allowing knowledge-based industries to grow.

Hinxton Hall in Cambridgeshire, eastern England, is a major contributor to the human genome project, the international scheme to decode the complete set of human genes.

Britain's scientific and high-technology communities were outraged when South Cambridgeshire district council refused permission for a 40,000 sq m expansion to allow spin-off companies to develop commercial applications.

The council, facing intense population growth and pressure from residents to control development, said the campus was not on land planned for development, and would cause environmental damage because it was not on public transport routes or near other facilities. Alternative accommodation was available on a science park a few miles away.

A planning inspector recommended rejection of Wellcome Trust's proposal after an inquiry last June, but John Prescott, the deputy prime minister, ordered the inquiry to be reopened in view of the national importance of the research.

Refusing permission to the Wellcome Trust would embarrass the government because it has pledged to encourage clusters of biotechnology companies.

In evidence to the inquiry, which reopens tomorrow, Michael Morgan, chief executive of the genome campus, warns that companies are losing key researchers to other organisations. He says alternative sites are unsuitable because scientists and research companies need to be alongside each other.

The trust says: "If planning permission is not granted for the extension there will be severe detriment to the ability of the campus to remain competitive and consequently severe harm to the UK's leading role in world genomics."

Inward investors may get N Ireland tax break

By John Murray Brown in Dublin

The UK government is considering a special low rate of corporation tax for Northern Ireland to allow it to match the Irish Republic's success in attracting investment from other countries.

This is understood to be among proposed tax changes contained in a strategic review of the local economy to be presented to parties in the new power-sharing assembly this week.

Under the scheme, any new inward investment would be taxed for up to five years at a rate close to the Republic's current rate of 10 per cent.

The proposals, prepared by Adam Ingram, the Northern Ireland economy minister, still need Treasury approval.

A separate business tax rate for Northern Ireland would breach the principle of fiscal unity across the UK. It would also require approval from the European Commission as it would be seen by Brussels as anti-competitive state aid.

The proposal may not secure cross-party support: the Ulster Unionist party is expected to oppose it on grounds it represents a dilution of Northern Ireland's place in the UK. However, the moderate nationalist Social Democratic and Labour party will support any move to bring the north and south economies closer together.

Business is also enthusiastic. Frank Costello, a US consultant who represents Boston-based high-technology companies interested in locating in Northern Ireland, said limiting the scheme to five years "would be an excellent opportunity to gauge its success".

The proposals are a response to the performance of the Irish Republic economy, which created 115,900 jobs between 1980-93 against 13,100 in Northern Ireland.

BILL GATES ON BUSINESS

Coping with an era of change

In this concluding extract from his new book, Bill Gates examines the importance of digging out numbers and the leadership required in a world in transformation

The business side of any company starts and ends with hardcore analysis of its numbers. If you don't understand what's happening in your business factually and you're making business decisions based on anecdotal data or gut instinct alone, you'll eventually pay a big price.

Microsoft is a product company, and I care deeply about product development. But anyone who has participated in a budget review with the executive committee at Microsoft knows that we insist on having accurate numbers and insightful analysis of those numbers. Numbers give you the factual basis for the directions in which you take your products. Numbers tell you in objective terms what customers like and don't like. Numbers help you identify your highest priorities so that you can take fast tactical or strategic action.

The line managers at a company need to be doing the numerical analysis. Other groups can help, but the people who deal with customers and with competitive problems need to be engaged in looking at their business in every way possible every day. The analysis should always support action, not just more analysis. Analysis should lead you step-by-step to a decision and to action. You have to think, act, evaluate, adapt.

Starting with digital numbers doesn't merely eliminate redundancy of effort and errors. It also sets in motion optimal ways to process the data afterward. Being digital from the outset drives efficiency in manufacturing, shipping, billing, and other operational processes. Getting the data digitally is also the only way to ensure you get information quickly enough to respond to customer needs before your competitor does.

This need for good, timely information to drive employees to quick action is one reason that "paper numbers" bother me as much as paper forms do. A printed sales figure or a printed number on customer trends is static. You don't have the ability to get in and see detail or to e-mail the number and its context off to somebody to talk about it. You cannot analyse what is behind the number.

When figures are in electronic form, knowledge workers can study them, annotate them, look at them in any amount of detail or in any view they want, and pass them around for collaboration. A number on a piece of paper is a dead end. A number in digital form is the start of meaningful thought and action.

So many parts of business can be improved through digital systems that it will take a number of years to maximise every single part. Every bit of data in a company should be in digital form and easily retrieved. This data will include every file, every record, every piece of e-mail, every web page. Every internal process should be digital and integrated with every other. A unified view of each customer, for instance, should record every business process related to that customer. Every transaction with partners and customers should be digital. You should give access to customers and partners to every bit of data appropriate to them, and vice versa.

Punctuated chaos

Previous economic eras were marked by long periods of stability followed by short periods of industry-wrenching change. Evolutionists would call this phenomenon punctuated equilibrium. Today the forces of digital information are creating a business environment of constant change. Evolutionists would call this punctuated chaos – constant upheaval marked by brief respites.

The Asian financial crisis of 1998 is an example of how digital information flow is changing the world. A generation ago a boom or collapse in any financial market – stock markets, currency markets – would have taken weeks or months to spread worldwide. Today the participants in these markets are all digitally connected. Any downturn or upturn in an important market creates overnight reverberations in other markets. Businesses have to react quickly to currency changes, new credit risks, and new valuations. Business decisions have to move at the pace of electronic markets. Some companies have been very nimble in responding to these changes, and some have only watched. When all is said and done, the companies that moved swiftly – for instance, to buy carefully chosen assets while prices were down – will be the ones that come out best. They had to move fast not only to adjust their business, but also to seize the new opportunities.

Similar digital interconnections will soon exist for all markets. The digital world is both forcing companies to react to change and giving them the tools by which to stay ahead of it. Information technology is the only way to have sufficiently quick reflexes connecting business strategy and organisational response.

Today US businesses are ahead of businesses in other countries in the adoption of digital technologies. The many reasons include an openness to risk-taking, individual empowerment, and labour mobility. Lower-cost communications and a large uniform market also help. It's always possible to catch up, so American companies don't necessarily have a permanent lead. Each country needs to study the best practices worldwide.

Many of the business leaders I meet outside the US know that they need to adopt a digital approach. In some cases they're held back by the lack of high-speed connections in their country. In others they're held back because of a lack of college students' exposure to digital technology in their educational system. They aren't getting a new crop of web-savvy employees each year. In some cases they're held back because partners and customers aren't ready to join up digitally. Investments in digital infrastructure and education are vital to each country's future competitive position.

Areas in which the US lags behind include government use of the internet, government policies on encryption, and adoption of smart cards.

The 'cognitive niche'

Human beings are not the biggest animals. We're not the strongest or fastest. We're not the sharpest in sight or smell. It's amazing how we survived against the fierce creatures of nature. We survived and prospered because of our brains. We evolved to fill the cognitive niche. We learned how to use tools, to build shelter, to invent agriculture, to domesticate livestock, to develop civilisation and culture, to cure and prevent disease. Our tools and technologies have helped us shape the environment around us.

I'm an optimist. I believe in progress. I'd much rather be alive today than at any time in history – and not only because in an earlier age my skill set wouldn't have been as valuable and I'd have been a prime candidate for some beast's dinner. The tools of the Industrial Age extended the capabilities of our muscles. The tools of the digital age extend the capabilities of our minds. I'm even happier for my children, who will come of age in this new world.

By embracing the digital age, we can accelerate the positive effects and mitigate the challenges such as privacy and have versus have-not. If we sit back and wait for the digital age to come to us on terms defined by others, we won't be able to do either. The web lifestyle can increase citizen involvement in government. Many of the decisions to be made are political and social, not technical. These include how we ensure access for everyone and how we protect children. Citizens in every culture must engage on the social and political impact of digital technology to ensure that the new digital age reflects the society they want to create.

If we are reactive and let change overwhelm us or pass us by, we will perceive change negatively. If we are proactive, seek to understand the future now, and embrace change, the idea of the unexpected can be positive and uplifting.

Astronomer Carl Sagan in his last book *Billions and Billions* said: "The prediction I can make with the highest confidence is that the most amazing discoveries will be the ones we are not today wise enough to foresee".

As tough and uncertain as the digital world makes it for business, it is evolve rapidly or die – we will all benefit. We're going to get improved products and services, lower costs, and more choices. We're going to get better government and social services at substantially less expense.

This world is coming. A big part of it comes through businesses using a digital nervous system to radically improve their processes.

A digital nervous system can help business redefine itself and its role in the future, but energy or paralysis, success or failure, depends on business leaders.

Only you can prepare your organisation and make the investments necessary to capitalise on the rapidly dawning digital age. Digital tools magnify the abilities that make us unique in the world: the ability to think; the ability to articulate our thoughts; the ability to work together to act on those thoughts.

I strongly believe that if companies empower their employees to solve problems and give them potent tools to do this, they will always be amazed at how much creativity and initiative will blossom forth.

It all starts with digital numbers

● Knowing your numbers is more than balancing your books each month. It's being able to use data for marketing and sales as well as for financial purposes.

● A number on a piece of paper is a dead end; a number in digital form is the start of meaningful thought and action.

● Quick, accurate numbers make it possible for customer actions to drive an immediate response by you and your partners.

Diagnosing Your Digital Nervous System

● Do your digital systems capture your business's data at the point of origin and in every interaction with your customers and partners?

● Can you integrate your partners' numbers with yours?

● Do you have a complete customer database that you take full advantage of?

Plotting victory on the battlefield

Fast, cheap technology has had a revolutionary effect on military computer systems

A victory for technology. That's how most people remember the Gulf war of 1991. Cruise missiles hugged the terrain over hundreds of miles to hit heavily fortified targets, and radar-evading Stealth fighters dropped smart bombs on communications centres and bridges. Flying 2,500 sorties a day with minimal losses, allied air forces set up the "left hook" ground assault that drove Iraq from Kuwait and ended the war after only 100 hours of ground operations.

The high-tech aircraft of the Gulf war had decidedly low-tech mission support, though. In the Persian Gulf, US Air Force mission orders were written up on an old-fashioned grease board just as they had been for every air war in the past. Squadron commanders had to track manually which pilots had flown what missions and who was available to fly next. Pilots got face-to-face "threat briefings" on target locations, the best routes in and out, locations of enemy troops, and the possibility of surface-to-air missiles, ground fire, and other contingencies. Then they retreated for a minimum of three hours and usually seven or eight hours of mission planning. They'd look up relevant maps in a file cabinet and photocopy and tape maps together. Then they'd "walk out" distances with a protractor, draw in the route and danger levels with coloured pencils, study photos, transcribe intelligence data on to the maps, and calculate the elevations of obstacles.

Only after completing this paperwork did pilots go out to fly their dangerous missions.

Manual flight planning could cause navigation errors of one to two miles, a big margin of error if you're trying to locate an isolated target without many landmarks. And if new intelligence came in, the whole flight plan might have to be scrubbed and the process begun all over again. One computer system per unit (about 24 aircraft) was available to help pilots automate some aspects of flight planning, but these computers accommodated only one user at a time, were difficult to use, and frequently broke down, creating bottlenecks in flight support.

After the Gulf war, the US Air Force, like all the services, held a "lessons learned" conference. High on the air force list for running a future high-intensity air war was better flight planning for pilots. While some active-duty air force personnel wanted to address this need with the military's traditional computer systems, members of the US Air Force Reserve and Air National Guard, who had civilian experience, immediately said: "We gotta do this on a PC".

The reservists turned to a number of commercial software developers as well as the Georgia Institute of Technology, whose researchers were experienced with the mathematical models and geographic data sources required for a sophisticated mapping system.

The result was FalconView, a PC-based mission planning system developed in 18 months for about $2.5m (£1.5m). FalconView cuts the old manual mission planning process for a standard sortie from upward of seven hours to less than 20 minutes. It increases planning accuracy through the use of precise digital data and aeronautical mapping tools. And it's affordable enough and easy enough to use that the air force has deployed it world-wide.

FalconView became so popular with pilots that they began to ask for additional capabilities. Their requests led the air force to embark on a program called Cyber Warrior to bring information technology to all phases of pilot and aircraft deployment, from scheduling to intelligence dissemination to debriefing. The service quickly developed an intelligent scheduling system that tracks pilot assignments, training levels, availability, and special information such as whether a pilot needs to log a night mission to satisfy training requirements.

A commander can do a quick search to find candidates for upcoming missions, and pilots can dial in on laptop computers to see when they're scheduled to fly. A PC-based debriefing system helps squadrons reconstruct missions to improve planning for the next mission.

FalconView cuts the planning process for a standard sortie from seven hours to less than 20 minutes

Instead of sitting down with a paper map and a set of coloured pencils, a pilot today sits down with a laptop computer containing digital maps of the world, digital images and updates from military intelligence, and an electronic drawing kit customised for military aviators.

The pilot can immediately locate landmarks such as bridges or rivers, plot his route, check safety parameters, check weapons systems information and weapons loads, link to a web-based weather source, and prepare flight plans and maps.

Before he flies the mission, the pilot can study mountainous areas or cities to preview what he'll see in the air and get a good idea of the deployment of hostile forces. If the pilot wants to know the elevation of a mountain, he simply clicks on it on his digital map and sees a precise latitude, longitude, and altitude reading – information a pilot used to have to dig up from paper charts.

Fighter pilots load the FalconView pre-mission planning files into the aircraft's computers for use in flight. In addition to providing routine aviation data such as fuel consumption and take-off and landing information, FalconView has a number of specialised features for military aviation. FalconView data is used in onboard weapons systems for computerised targeting and for checking weapons fusing – whether a bomb is set to explode on the ground or 20ft in the air.

FalconView does drop calculations that take into account the altitude and speed of the aircraft, the speed and direction of the wind, even the changing weight and balance of an aircraft before and after dropping its payload.

FalconView can mean the difference between a successful mission and an impossible one. During a tour of Bosnia, a pilot took his copy of FalconView with him to a base in Italy that didn't yet have access to the software. Nato forces had been looking for a particular bridge in Bosnia for three days and couldn't find it on their maps or from the air. The pilot fired up FalconView and located the bridge immediately. They blew it up that afternoon.

FalconView displays satellite imagery accurate to within five metres. At the 10-metre resolution of the older system, the bridge wasn't visible.

During the Gulf war, the air force sometimes had to send 10 to 12 F-16s to hit a single target. With the higher levels of accuracy provided by FalconView, the air force can now send fewer aircraft to a target. The goal is for one aircraft to hit one target. The greater degree of accuracy from FalconView will enable newer aircraft such as the B-2 bomber to attack as many as 16 targets on a single mission, a capability that adds up to big savings in lives and money. "The American people are not willing to accept a single casualty," says the lieutenant colonel in charge of the FalconView project, "so every little bit of increased accuracy and certainty we can demonstrate is worth a lot."

Another exciting aspect of a digital military is its ability to increase dramatically rates of learning. Instead of having to fight three wars and lose hundreds of aircraft and thousands of men to learn which procedures and tactics work, the air force can now examine the records of a few missions and learn the same kinds of lessons a lot sooner. In earlier air wars, including the Gulf war, debriefing was often inconclusive. Combatants in debriefing sessions tended to remember the action through only their narrow views of the situation, and their recollections were usually blurred by the fog of battle. It was hard for commanders to reconstruct the overall scene in order to understand how to improve next time.

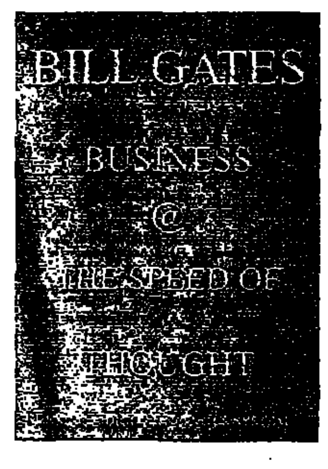
In today's debriefing sessions, pilots and commanders pore over the FalconView digital flight plan data and compare it with video footage taken from each aircraft during a mission. A debriefing session might involve the flight plans, four videotapes, and a PC-based debriefing system. The crew can replay an entire mission and see who shot when, whether a bomb was dropped too early or too late, whose aircraft was in the wrong place at the wrong time, and whose unorthodox but brilliant manoeuvre saved the day.

After more than 15 years of reliance on more expensive computer systems, there's a move across the US military to go to standard PC hardware and software. Fast, low-cost development and the speedy deployment of applications are compelling. The air force's price tag of $2.5m for FalconView software development was just 1 per cent of the $250m development cost of the air force's earlier mission-planning programs that ran on non-PC workstations. The ongoing cost for enhancements to FalconView is less than $1m a year, compared with many millions for the non-PC systems. Where the previous system required a special $50,000 workstation for each squadron, FalconView runs on PCs that are part of the existing office infrastructure and therefore cost nothing extra.

FalconView is also gaining acceptance by US Army and Navy aviators and is being tested by US marine pilots. The US Marine Corps is experimenting with FalconView on laptop computers and hand-held PCs in the battlefield.

Marines have been testing the hand-held battlefield system in large-scale, battle-scenario training exercises. If approved, the unit could become standard-issue equipment for every marine unit leader. After years of trying unsuccessfully to develop a battlefield solution, the marines have done it in three months, for a total development cost, including incorporating FalconView and communications software, of about $110,000. In the future, the marines envision even smaller Windows CE units for the common soldier, wearable in some form.

Inexpensive hardware means that the marines will be able to treat the battlefield hand-held as just another standard-issue item. Like a pair of boots, it will do its job and get tossed out when it's done. It's impossible for even the marines to outrun Moore's law, says Major James Cummiskey of the Marine Corps, acknowledging the speed at which PC processing capabilities regularly double and render hardware obsolete. "Knowing that we'll be throwing away all our hardware every few years, it just doesn't make sense to pour millions of dollars into custom-computer systems development," he says.



Business @ the Speed of Thought: Using a Digital Nervous System
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The first extract in this series appeared on March 18 (Speed gives life to the digital nervous system), the second on March 19 (The day Microsoft 'got' the internet), the third on March 20 (Home is where the internet is). An interview with Bill Gates by Louise Kehoe appeared on March 17; her reflections on how the future is shaping up for Microsoft and for the computer industry as a whole will appear tomorrow.

BUSINESS EDUCATION LANGUAGES

Mastering the word

Della Bradshaw looks at how some courses emphasise learning foreign languages as a means of winning business and co-operation

For one small Russian swimming costume manufacturer, Alan Clack was a godsend. Last summer he worked with the company to develop its strategy and finances. He recommended the swimwear company pegged all its revenues to the dollar, instead of accruing expenses in dollars but counting revenues in roubles.

In spite of the financial trauma the Russian economy has suffered, this small clothing company is still in business.

For Mr Clack, the project was the first element of the Lauder programme at the Wharton school at the University of Pennsylvania. The Lauder Institute straddles the Wharton school, from which Lauder students get an MBA, and the University of Pennsylvania School of Arts and Sciences, where the students study languages and are awarded MA degrees.

Each year some 60 students enrol on the programme, about 8-9 per cent of the total Wharton MBA class. They begin their programme in May and spend a month in Philadelphia before completing a project overseas – all this is before joining the regular MBA class in the autumn.

Anyone who thinks an MBA is tough would blanch at the prospect of the Lauder programme, but as one of the class of 2000, Patrick Sallner, put it: "Adding one more ball is less of an issue when you're juggling six balls than when you're juggling three."

The Lauder programme was set up in 1984 as a way of combining business, language and cultural issues. According to Stephen Kobrin, director of the Lauder Institute, "Lauder is a real force for globalisation in a company. We develop people who can parachute in and be effective."

Admission requirements are tough: an excellent academic background, several languages and a feel for multi-cultural business. "We look for people who are tolerant. We look for people who know there are ways which are not the American ways," says Prof Kobrin.

About five years ago, the University of Chicago business school set up a similar programme, the International MBA. Students in Chicago have to study and work for at least six months outside the US during the programme, which lasts for 24 months, as opposed to 21 months for the regular full-time MBA at Chicago.

Both the Lauder programme and the International MBA are rare in US business school terms because they require participants to be fluent in, or learn, foreign languages. Lauder graduates have to master a third language before they can graduate and the International MBA students have to be fluent in a second. In Europe a foreign language requirement is more usual.

'In Russian eyes there are foreigners who speak Russian and there are those that don't'

At Spanish schools, Iese in Barcelona and the Instituto de Empresa, students on the bilingual MBA are required to speak both Spanish and English, although many students speak several more languages as well. Many participants say one reason they choose these programmes is precisely because they are required to learn Spanish during their term at the school.

Insead, in Fontainebleau, is perhaps the most rigorous. It requires all participants to be able to work in English and a second language on entry and to be able to read a newspaper or do business in a third language on completing the one-year programme.

Landis Gabel, associate dean for the MBA programme at Insead, believes the language element is a very strong selling point both for recruiters and for MBA applicants.

Prof Gabel says the fact that an MBA can pick up an adequate level of a new language in a year gives employers confidence in sending Insead MBAs overseas. "Does one need it? No. Is it an advantage? Yes."

Beth Bader, Associate Dean for International Programmes at Chicago, emphasises the value to employers of the language component. "We frequently talk with business people around the world and they say languages are very important. They are an important step towards learning a new culture."

Graduates from the Chicago programme do not necessarily work internationally on completing the programme, though, says Ms Bader. This is because many US-based multinationals prefer their employees to work for a year in the US before giving them an international posting. But like Prof Kobrin she is convinced these students are special and that the experience will pay off in the long-term. "Our objective is to train people for a career in global management."

Mr Clack, who worked for several years in Russia, believes the language is an essential element of running a successful business there. "In the eyes of a Russian there are the foreigners who speak Russian and the foreigners who don't speak Russian. The attrition rate is much higher if you don't speak Russian because you don't become part of the community. If you don't speak Russian, you don't get the business."

LUCY KELLAWAY

Manners, mime and management

To discover rude or thoughtless employees, simply ask the switchboard

I want you to think about how you enter your office building each morning. Go on, imagine yourself coming in. Mime your movements.

You've got to be joking, thought the young lawyer, who had just been asked to do this by the managing partner of the big City law firm where she worked. Yet she didn't argue. She was up for partnership and realised she had better do as she was told. Reluctantly, she took an imaginary briefcase in one hand, an imaginary cappuccino in the other, and mimed her way through the doors and over to the lift.

He looked displeased. You've forgotten something, he said. She thought about it, but came up with nothing. So he got up and mimed his way into the building: briefcase in one hand, through the doors. Then he turned to say a gracious good morning to the woman on reception. Only then did he venture to the lift.

Possibly this man was being old fashioned in taking into account common civility when considering a high-flying young lawyer for partnership. But I think he was on to something. Being polite is something that matters in organisations. People who are crass or thoughtless in the office are more likely to be crass or thoughtless with clients, too. Failure to be polite should be a black mark when being considered for promotion.

Yet to flush out rude employees, there is mercifully no need to resort to such embarrassing practices as mime. An alternative would be to ask the people on reception about the people they daily see coming in and out.

I can think of an even better source of information. The people at reception may know something: the people on the switchboard, however, know everything.

They can tell you who hangs up without saying goodbye. They can tell you who is rude and who is patronising.

This worm's eye view of office manners is worth many times the view of a manager. Everyone shows their polite face to the boss; but when it comes to the people on the switchboard, who are both anonymous and unseen, it is another matter altogether.

You could argue that telephone manner is not a good indication of who is, and who is not, a good manager. Up to a point, that is true. A manager's ability to take great decisions and his willingness to look up internal phone numbers himself are not the same thing at all. But these are soft days in the corporate world, and one of the reasons we are valued as employees is for our people skills. That being the case, companies are missing a trick in not asking the views of the people who really know.

* * *

There have been many books out recently on the worth of people to an organisation, and how to calculate it precisely. A grand debate is ranging over whether people are best thought of as assets, or whether they are more like capital. Which side of the balance sheet do people belong on?

One of the recent contributions to this debate is *Delivering on the Promise* by three chaps at Arthur Andersen. The book – which is apparently selling like hot cakes in the US – has at its heart a matrix, which is "holistic" and takes in the two areas of time and space. The writers are so convinced they are on to something they have taken the precaution of seeking trademark protection for their novel system, which they have called Human Capital Appraisal.

I think they might be a little premature. The whole argument seems to be quite absurd. Trying to turn people management into a science is fatuous. Any attempt is necessarily bound to fail. We know that companies need good people. We also know that companies are not going to get or keep good people unless they can offer them interesting work and treat them well. That would seem to be the end of the story.

* * *

I've always had my doubts about delayering. The most satisfying shape for an organisation is a pyramid. The fashionable flat structure with a spike in the middle is no match for it. But now I am delighted to learn that many companies are coming around to this view. According to research from Warwick Business School, the average number of layers in companies is pretty static; and while 30 per cent are taking them out, some 20 per cent are putting them back in.

That has got to be good news: not only are companies more stable when there are a decent number of layers, it is no fun climbing a ladder when all the rungs have been taken out.

INSIDE TRACK

PROFILE JOACHIM MILBERG, CHAIRMAN, BMW

New driver on an old route

The recently appointed chairman of the German group has confounded those who expected him to be a dry academic, writes **Haig Simonian**

When BMW unexpectedly ditched its top two executives last month, it compounded the shock of the announcement by appointing a little-known former academic as the German car maker's new chairman.

The best most writers could say about Joachim Milberg, who had been BMW's low-profile production chief until his meteoric promotion, was that he was "a respected former university professor".

Mr Milberg joined BMW in 1993 from Munich's Technical University, where he taught machine tooling and business studies. It was hardly an ideal start for the head of one of the world's most prestigious car makers, with almost 120,000 employees and sales of DM63bn (£21.7bn) last year. But then, Mr Milberg is not taking over in ideal circumstances.

Little is known about what happened at the board meeting on February 5 that ended in the dismissal of Bernd Pischetsrieder, BMW's popular chairman, and Wolfgang Reitzle, his high-profile rival and de facto number two. But nobody doubts that Rover, BMW's UK subsidiary, was the cause of their downfall.

Messrs Pischetsrieder and Reitzle disagreed on what to do about the losses at Rover. The quarrel turned nasty. It became a power struggle that threatened to paralyse decision-making. The board decided the two men should go, and it chose the mild-mannered Mr Milberg to restore a semblance of harmony to the group.

Even if he wished to emerge from obscurity, Mr Milberg would be barred from doing so by a company rule that keeps new executives in public relations purdah for their first 100 days.

So while Mr Milberg has remained silent, German newspapers have speculated about the multi-million D-Mark compensations under negotiation to persuade Mr Pischetsrieder and Mr Reitzle to leave quietly. Last Friday, Ford announced that Mr Reitzle would be joining to run its growing portfolio of prestige brands, including Jaguar and Volvo.

But the new BMW chairman has confounded those who expected him to be a dry academic. In his first – and so far only – media appearance since his appointment, Mr Milberg came across as an assured speaker in charge of his brief. The audience at the Geneva motor show this month was packed with sceptical business writers, but Mr Milberg was unfazed.

'The basic strategy is the same. You can't change strategy every two weeks'

"At least I'm used to addressing big auditoria," the 55-year-old professor said. He delivered a polished, if superficial, overview of the latest developments at BMW, saying the company would not be the motor industry's next takeover target.

"Things are going much better than is being presented from outside," he said.

Mr Milberg was probably grateful for BMW's rule of silence, as the problems that led to Mr Pischetsrieder's downfall have no easy solution. Some would say Mr Milberg has been handed a poisoned chalice.

For years, BMW's sports saloons and its formidable marketing machine were the envy of its rivals. But BMW's reputation has suffered from growing problems at Rover, its UK subsidiary. It was bought for £800m in 1994, during Mr Pischetsrieder's early days as chairman, and he spent the next five years trying to integrate Rover into the group.

Instead of providing an entry into the mid-range market – without damaging the luxury BMW brand – Rover turned into a quagmire for the Munich company. It consumed management time, cash and careers.

First came the abrupt departure late last year of Walter Hasselkus, the affable BMW board member summoned to sort out Rover in 1996. The quandary ultimately cost Messrs Pischetsrieder and Reitzle their jobs.

BMW last week revealed a massive rise in Rover's losses to DM1.97bn (£668m) last year – well above analysts' estimates. The big jump was largely responsible for depressing BMW's group net profit to DM903m, compared with DM1.25bn in 1997. The setback will undoubtedly lead to some tough questions for Mr Milberg when he fleshes out BMW's results on March 30.

Although there is little hope of restoring Rover to profitability by 2000, it will be Mr Milberg's job to sort things out. His strategy, however, looks like that of his predecessor: spending his way out of trouble.

In Geneva, Mr Milberg confirmed BMW would invest heavily to replace Rover's slow-selling 200 and 400 models with more attractive cars. The disappointing sales of the two vehicles and the strength of sterling lie at the heart of Rover's problems.

In spite of some apparent delays, BMW is expected to announce it will spend about £1.7bn to rebuild Rover's 104-year-old Longbridge plant in Birmingham, where the 200 and 400 models are made. The German carmaker will receive a substantial amount of investment aid from the British government to do so.

Eventually, the ramshackle Longbridge facilities will be replaced by a leaner, more productive factory that will turn out the successors to the 200 and 400 series and the new Mini. The new models are a big risk for BMW. Investors are concerned about Rover's mounting losses and the sharp decline in its UK market share. These in turn have affected BMW's share price. It will be up to Mr Milberg to convince shareholders that BMW's new seven-member board is in control of the situation.

Perhaps Mr Milberg had no choice about following the strategy mapped out by his predecessor. He says BMW's new board has "accelerated and intensified" the integration process. "The basic strategy is the same. You can't change strategy every two weeks," he says.

Modernising Longbridge was the last leg of a plan drawn up by Mr Pischetsrieder to transform Rover from a basket case to a competitive carmaker.

The blueprint started with investment in Land Rover, the group's popular off-road subsidiary, at a time of growing demand for trendy sports utility vehicles. Land Rover's Solihull plant got a complete overhaul, and, last year, it built a record number of vehicles.

BMW money performed the same magic at Cowley, a crumbling factory renamed Rover Oxford. The plant was rebuilt to create a high-tech production base for Rover's new 75 saloon and future off-shoots.

At Gaydon, near Warwick, BMW helped Rover create a product development centre modelled on the German group's own Munich base. Together, the projects and their associated new models have cost DM7bn, excluding the initial takeover cost, according to Mr Milberg.

This month BMW and Rover will merge their sales and marketing operations – an example of the integration analysts said was overdue. Similar steps are being taken, from purchasing to public relations, to eliminate duplication.

But even these reforms were part of the package pushed through by Mr Pischetsrieder late last year as the depth of Rover's crisis became apparent.

Mr Milberg is widely credited with the successful introduction last year of the latest generation of the 3 Series – BMW's best-selling model. The production launch took place at three plants simultaneously and was praised as the smoothest in the company's history.

Given his wide experience in production engineering – his academic speciality (machine tools) gave him privileged access to all the world's car factories – the new BMW chief probably has ideas of his own about what should be done about Rover. So far, however, he has been reluctant to show them.

Essential Guide to Joachim Milberg

Herr professor: even by German standards, Mr Milberg's qualifications look impressive. He has three doctorates – albeit two honorary.

Before being appointed BMW's board member for production in November 1993, he taught for more than 12 years at the Technical University in Munich – alma mater for many of BMW's engineering egg-heads.

Even after joining the company, he continued lecturing every week until last year.

A practical bent: in spite of his teaching career, Professor Milberg is no bookworm.

Rather than going straight to university, he gained a work qualification as a machine repairer.

Soon after gaining his doctorate at the Technical University of Berlin in 1972, he moved into industry, climbing the ladder at Gildemeister, the German machine tools group, which he helped to turn around.

Knows his nuts and bolts: his academic speciality was production engineering for the motor industry – a beat giving him privileged access to all the world's car factories.

Insiders say that background proved its worth: last year's simultaneous introduction of BMW's latest generation 3 Series – its best-selling model – at three plants was the smoothest production launch in the company's history.

. . . and his figures: Mr Milberg's university teaching combined pure production engineering – looking at questions such as what type of machine tool might be most appropriate for a given task – with applied business issues, such as whether they might also be productive and profitable. A formidable mixture.

THE ARTS

OPENINGS

BERLIN
On Sunday Daniel Barenboim (above) lifts the curtain on his annual "Festtage" with a new Harry Kupfer production of *Tannhäuser* at the Lindenoper. The festival, now a fixture in Berlin's Easter calendar, also includes concerts by the Chicago Symphony Orchestra.

LUCERNE
The 1999 Easter festival, opening tomorrow, is the first to be organised by new festival director Michael Haefliger. It includes four concerts of sacred music, featuring Nikolaus Harnoncourt's Concentus Musicus and other period ensembles. Lorin Maazel will also conduct a performance of Bruckner's Eighth Symphony in Lucerne's sparkling new concert hall.

SALZBURG
The focal point of the Easter festival is a new staging of *Tristan und Isolde*. Claudio Abbado conducts, Klaus Michael Grüber directs, and the cast is headed by Ben Heppner and Deborah Polaski. The first night is on Saturday. In addition to its duties in the pit, the Berlin Philharmonic gives concerts under Abbado, Bernard Haitink and Kurt Sanderling.

LONDON
The artistic heritage of the Sikhs is the subject of an exhibition at the Victoria & Albert Museum, opening on Thursday. It includes paintings, jewels, textiles weapons and musical instruments (below) from the 19th century treasury of Ranjit Singh, the first Sikh Maharaja of the Panjab.

Moisés Kaufman's play *Gross Indecency* opens at the Gielgud Theatre tonight. Starring Michael Pennington (right) as Oscar Wilde, the play weaves together courtroom transcripts and other writings in the tale of the writer's downfall.

STRATFORD-UPON-AVON
The Royal Shakespeare Company's summer season kicks off with a new production of Ben Jonson's *Volpone*, opening at the Swan Theatre on Wednesday. The director is Lindsay Posner and the cast is led by Malcolm Storry and Guy Henry. Michael Boyd directs *A Midsummer Night's Dream*, at the Royal Shakespeare Theatre from Thursday, with a cast including Josette Simon and Nicholas Jones.

BONN
The latest of the "Great Collections" exhibitions at the Kunst- und Ausstellungshalle focuses on the Museu Nacional de Arte Antiga, Lisbon. In addition to prominent Portuguese artists, the show presents works by Piero della Francesca, Hans Memling and Pieter Brueghel the Younger. It opens on Friday and runs until July 11.

NEW YORK
Off-Broadway, *Red* is a new play by Chay Yew, who combines the *miniaturist's* gift for social observation with a Tolstoyan appetite for subject matter. It opens tomorrow at the Manhattan Theatre Club.

Patrick Marber: 'I'm a tinkerer. But I'm in good company. Stoppard is notorious for rewrites'

'Closer', the playwright's cut

Alastair Macaulay meets Patrick Marber as his play prepares to open in New York

Until the premiere of *Dealer's Choice* at the National Theatre in 1995, many theatre-goers – myself included – had not heard of Patrick Marber. He was, in fact, already well-known, on radio and TV, in the world of comedy. But, although there are laughs in his plays and in the plays he has directed, I have never yet spotted a gratuitous joke in them.

With *Dealer's Choice*, his first play, Marber arrived as an already full-grown serious dramatist. That play, which he directed, soon transferred to the West End; his production then toured the UK, and has now been staged by several repertory theatres around the country. In 1996, he staged two plays by other British authors: Craig Raine's *"1953"* at the Almeida, and Denis Potter's *Blue Remembered Hills* at the National Theatre. But his biggest success came with his second play, *Closer*, which, again, he staged himself, first at the National in 1997 then in the West End. This week, it opens on Broadway.

Because his own plays have been about modern British people, and because *Closer* is – very memorably – about changing sexual relationships, people tend to talk about the content of his plays more than about their style. But the considerable polish and control with which they are written and paced are absolutely part of the disturbing spell they cast in the theatre. And the polish and control are more evident yet when he stages other men's work – witness his staging of the British premiere of David Mamet's short trilogy, *The Old Neighborhood*, at the Royal Court.

Marber says that he is trying, as both playwright and director, to develop a classical aesthetic, "where form and content are in absolute coexistence". He goes on: "I have the heavy influence of Pinter and Mamet, obviously. A lot of Mamet's writing about acting and the theatre and the movies has made a big impression on me. But I think also it's important for me that I've come from a comedy background, where you learn very quickly to get to the point, and that words are something that get you to the point quickly. In comedy, the more words you have, the more opportunity an audience has to throw things at you. So you learn very quickly where the meat of whatever it is that you're saying is."

He talks about the process of elimination in his own writing. "You should see the full draft of *Closer*: 160 pages. Now it's 85. It was a much more formally ambitious play, much more interesting. But it was longer, and it didn't arrive anywhere. It just wandered. And it would have been three-and-a-half hours long . . . sometimes it feels very joyful to make a good cut. But there are speeches in *Closer* that have never seen the light of day and which I still mourn."

He is also a constant reviser. Even after *Closer* had opened successfully in the West End, he adjusted a scene back to something closer to the version he had employed at the Cottesloe a year before. "I'm a tinkerer. But I'm in good company. Stoppard is notorious for rewrites."

He carries with him an air of conscious self-apprenticeship. "*The Old Neighborhood* was the first time I've worked with a bunch of actors who are all older than me. And it's very enjoyable to be the youngest person in the room. You learn a lot." Was the production's rhythm, which had so impressed me, important to him? "Oh, it was a great concern to me, but it was a great concern to the actors as well. Those are very, very precise actors. Colin Stinton has worked for years with Mamet; and he speaks Mamet's language like a dream. He really understands the dynamics, and he's profoundly accurate. So having him in the centre of it made everyone attend to those values. Every pause, every beat, mattered. We treated it like music."

'I think the cast, as a team, is the best I've had. They're chemically combustible. *All the relationships make sense*'

Marber – a burly chap in his 30s – lives with an actress, Debra Gillett, to whom *Closer* is dedicated. And he speaks of his actors with affection and admiration. "I think the cast is, as a team, the best I've had. Ciaran Hinds, who was in the original production in the Cottesloe, is probably better now than he was two years ago. Rupert Graves is really superb. Natasha Richardson and Anna Friel are very good. But the big thing is the way they all work together. They're chemically combustible. All the relationships make sense."

Closer has now been performed all over the world, and Marber spent much of last winter going to see foreign productions of it. "Have you been to all of them?" I asked. "Good God, no. I've been to see it either in cities where it's been a big hit or in cities I've never been to before. I was really glad to discover Stockholm, for example." And work on his next play? He had told me in July that he had been working on an urban comedy – "kind of Ben Jonson", he said casually.

"Well, I've been tinkering. Gently doing bits and pieces. Rough sketches. But I have no view of it as a whole. That's what I'll come back to when I come back to London in April. My plan is to have it finished by the end of the summer. What I want to write is a great big funny play, a huge bitter vicious laughter machine, a big Jonsonian public play. I've got lots of ideas at the moment, but no stories. I'd love to have a big public play running in the millennium."

OBITUARY PATRICK HERON

Painter never lost critical edge

Patrick Heron, who died on Saturday at the age of 79, was among the most distinguished abstract painters of his generation. But he was at least as well known to the wider public as a controversialist and polemicist. He was that comparatively rare bird - bird indeed, perched as he was for so long at Eagle's Nest, his handsome house high above the cliffs and ancient fields of the north Penwith coast, Cornwall, in the south-west of England.

He was a painter of real distinction who was also in his time a truly influential critic. And if his years as practising critic were those also of his early development and emergence as a painter, his impressive and indeed long-overdue retrospective at the Tate in London last summer made clear that, for all its seductive and decorative qualities, his work never lost its critical edge.

From the end of the second world war until the late 1950s, in the pages successively of the New English Weekly, the New Statesman, the Arts Review and Arts (New York), he was above all the consistent supporter of his contemporaries and peers, at home and abroad, in a time when general and ignorant vehemence against modern art was even fiercer than it is now.

His reasoned and impassioned defence was a real service to his fellows, but one which, sad to say, was not always to be reciprocated in kind, response to his own work too often taking the form rather of a patronising tolerance than real enthusiasm.

Something of the fault, perhaps, lay in himself, for he always loved an argument, and could sometimes appear to protest a shade too much as he took on, in his later years, opponents including the British government.

He had been one of the earliest champions of the New York School of Abstract Expressionism – Pollock, Rothko, de Kooning, Motherwell and the rest of them, when it first appeared in Europe in the mid-1950s, his support generous and unequivocal. "I would end by insisting," he wrote to the American readers of Arts (NY) in 1956, "that to me . . . your new school comes as the most vigorous movement we have seen since the war. We shall now watch New York as eagerly as Paris for new developments (not forgetting our own, let me add)."

That final parenthesis is characteristic, for he was never one to accept the common view that British art was somehow inevitably derivative and second best. We now know that the Central Intelligence Agency was an active agent in the successful critical promotion of the New York School, but Patrick immediately and bitterly resented the accompanying assumption, which we were all so supine in accepting, that the Americans were now first, and the rest nowhere.

To him, artists were brothers above all, but if a silly nationalism was to be the game, then two could play. When it came to the actual work, while admitting the influence of the large and open scale of the American example, why, he himself had been the first to reduce the image and the painted surface to the simplicity of a sequence of vertical stripes, and would prove it.

But it took last summer's retrospective to remind us just how early and how brave his first abstract paintings were around 1955 and 1956, and how beautiful, as he sought to reconcile Matisse with Rothko, associative figuration with abstraction, Paris with New York, in a purely English synthesis. It was his vindication.

He was born in Leeds in the north of England, but much of his early childhood had been spent in west Cornwall. He returned regularly to St Ives, Cornwall, in the postwar years, establishing himself along with such artists as Peter Lanyon, Roger Hilton, Sandra Blow and Terry Frost as among the leaders of the younger St Ives School.

He eventually settled there, buying Eagle's Nest in 1956, and the house, with its integral studio, its light and airy rooms that served as a gallery, and the garden he created around it, remain in part his monument.

But artists are to be remembered by their work, and in his passage from early Matissean figuration, through large-scale colour-field abstraction and so, in his last years, back to an open, almost calligraphic abstracted landscape, based lightly upon the forms and contours of his garden, he showed himself to be never more European, never more international, and never more English.

Just like himself, so as an artist too, he was always himself. He was a personal friend, and I shall miss him.

William Packer

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: programme combining the Dutch premiere of Acts of Light by Martha Graham, with the world premiere of Krzysztof Pastor's Bitter Sweet, and Balanchine's Symphony in C; *Mar 24, 26, 27*

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen in a revival of Pierre Audi's staging co-directed by Saskia Boddeke; Mar 23, 25

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Cinderella: staging by Roberto de Oliveira. Kevin McCutcheon conducts Prokofiev's score; *Mar 26*

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Aida: by Verdi. Conducted by Lawrence Foster in a staging by Götz Friedrich; Mar 27
● *Der Fliegende Holländer*: by Wagner. Conducted by Rudolf Piehlmayer in a staging by Götz Friedrich; Mar 25

BOLOGNA

OPERA
Teatro Communale
Tel: 39-51-529999
La Cena delle Beffe: by Giordano. Conducted by Bruno Bartoletti in a revival of Liliana Cavani's staging, first seen in Zurich four years ago. The cast is led by Daniela Dessi and Alberto Cupido; Mar 23, 25, 27

DRESDEN

OPERA
Semper Oper
Tel: 49-351-48420
Ariadne auf Naxos: by R. Strauss. Conducted by Colin Davis in a new staging by Marco Arturo Marelli. Cast includes Susan Anthony and Jon Villars; Mar 22, 25, 27

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
● Academy of St. Martin in the Fields: conducted by pianist Murray Perahia, in a programme of works by Mozart; Mar 22
● BBC Symphony Orchestra: conducted by Andrew Davis in works by Mozart and Strauss, with piano soloist Imogen Cooper; Mar 25
● Philharmonia Orchestra: conducted by David Zinman in works by Mendelssohn, Mozart, Daugherty and Tchaikovsky, with violin soloist Joshua Bell; Mar 23

EXHIBITION
National Gallery
Tel: 44-171-839 3321
Rogier van der Weyden: the 20 surviving paintings attributed to the 15th century Netherlandish artist are mostly too fragile to travel. The National Gallery has five, and these are supplemented by two from the Gulbenkian in Lisbon and two from the Getty in California for this show, which celebrates the 600th anniversary of his birth; to Jul 4

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Mar 24, 26

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by R. Strauss; Mar 25, 26
● Munich Philharmonic Orchestra: conducted by James Levine in works by Mozart, Haydn, Berlioz and Ravel. With soprano Cecilia Bartoli; Mar 22, 23
● Munich Philharmonic Orchestra: conducted by James Levine in works by Berg and Mahler, with violin soloist Christian Tetzlaff; Mar 27

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● New York Philharmonic: conducted by Yuri Temirkanov in works by Stravinsky, with violin soloist Hilary Hahn; Mar 23
● New York Philharmonic: conducted by Charles Dutoit in works by Poulenc, Saint-Saëns and Holst, with cello soloist Han-Na Chang; Mar 25, 26, 27

Carnegie Hall
Tel: 1-212-247 7800
www.carnegiehall.org
National Symphony Orchestra: conducted by Leonard Slatkin in the world premiere of John Corigliano's A Dylan Thomas Trilogy. With the Choral Arts Society of Washington and baritone Hakan Hagegard; Mar 26

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo (replaced by Yuri Marusin on Apr 3), Galina Gorchakova and Olga Borodina; Mar 22, 26

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Lizzie Borden: by Jack Beeson. New production conducted by George Manahan in a staging by Rhoda Levine, with Phyllis Pancella in the title role; Mar 24
● *Madama Butterfly*: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November, with sets by Michael Yeargan and costumes by Constance Hoffman; Mar 23, 26

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Magic Flute: by Mozart. Conducted by Friedemann Layer in a staging by Robert Wilson; Mar 23, 24, 25

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Helmut Newton/Alice Springs: Us and Them. Retrospective of the fashion and portrait photographer, whose work is shown alongside that of his wife, Alice Springs (the pseudonym of June Browne). The show comprises 120 works in all, and is mounted as a celebration of their 50th wedding anniversary; to May 9

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony and Chorus: conducted by Roberto Abbado in works by Bloch and Rossini; Mar 24, 25, 27

THE HAGUE

EXHIBITION
Gemeentemuseum
Tel: 31-70-3388 1111
Vionnet: designs and prints by Madeleine Vionnet, one of the most important couturiers of the 20th century, whose moulage cutting technique strongly influenced the fashions of the period 1920-1940; to Jun 6

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Vienna Philharmonic Orchestra: lecture by Dr Clemens Hellsburg and chamber music by R. Strauss; Mar 22
● Yomiuri Nippon Symphony Orchestra: conducted by Tadaaki Otaka in works by Sibelius; Mar 25

VIENNA

EXHIBITION
Osterreichische Galerie Belvedere
America: The New World in 19th Century Painting. Dealing with the period from the Declaration of Independence in 1776 until the US entry into World War I, this show brings together works from major museums and collections in the US, tracing the history of the country through the eyes of its painters; to Jun 20

OPERA
Wiener Staatsoper
Tel: 43-1-51444
Cavalleria Rusticana: by Mascagni/Pagliacci by Leoncavallo. Simone Young conducts a staging by Jean-Pierre Ponnelle; Mar 24, 26

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

Carmaker's auction

BMW and the British government both have an interest in concealing how far they will go to make Longbridge viable

Can it make any sense to spend British taxpayers' money to help BMW bring Rover's Longbridge plant, Britain's biggest factory, back from the dead?

Those who support the idea make four arguments: the money on offer is modest (the £118m in assistance being talked of last week is a mere 0.1 per cent of annual spending on social security, *for example*); the policy being followed is not new (since 1996 alone, £196m has gone to UK car manufacturers, benefiting Ford, Rover, Vauxhall and Daewoo); the project is desirable (under the rules, projects must create or save jobs and not displace them elsewhere in the UK); and the plan would not proceed without the assistance, to the grave disadvantage of the industry, region and country.

So far, so justifiable, at least in budgetary and legal terms. But these are details *when compared with the big* questions: is BMW worth supporting and is the amount apparently on offer going to make much difference to its decision?

To address that, one must start with what BMW itself is trying to do. It is betting its future as an independent company on making Rover work. The question for the British government (and the European Commission) is *how far it should be helped* by government to do so.

Rover is a long-running disaster, the residue of a company that once had half the British market. Goldman Sachs estimates that between 1994 and 1998 the cumulative cash flow of Rover to BMW was in the vicinity of minus DM9bn (£3.1bn) (including the purchase price). Last year alone Rover lost DM1.87bn, as its market share in the UK sank towards 5 per cent. This loss consumed close to half of BMW's own profits.

The only institution to have made money out of Rover has been British Aerospace, which took it off the taxpayer's weary hands for £150m and sold it on to hapless BMW, for £800m, in 1994. In retrospect, that is beginning to look like the sale of the century.

Now there is talk of a further investment in a new Longbridge plant of £1.7bn. On plausible assumptions, suggests Goldman Sachs, it *could then take 20-30 years* for BMW to get its money back. That is long-termism by any standards! It is hardly surprising that Bernd Pischetsrieder, the executive who bought Rover, was forced out last year.

The question is why BMW, contrary to some absurd British prejudices, has been prepared to be so generous to its wasteful British subsidiary. Part of the *answer may well be that* BMW did not realise how bad a buy Rover would prove. But the broader strategic answer is shown by the chart.

Industry gurus argue that as a producer of a little over half a million cars a year, however well made, attractive and profitable, BMW had no long-term future as an independent company. With Volvo and *Saab gone, it is now, even* with Rover, the smallest of the world's significant independent manufacturers. Over time, it is argued, larger companies, with correspondingly massive economies of scale and scope, will be able to surpass BMW quality, match its cachet and squeeze its profits. BMW's gamble on Rover was (and, presumably, still is) to become big *enough (and so cost efficient* enough) to survive.

The results of this apparently rational strategy remind one of the story of the accountant brought into a financially sick business. "Do you realise," he asks the chief executive, "that you're making a loss on every item you sell?" "Yes," comes the swift reply. "But don't worry: we're making up for it in volume."

Yet however wrong-headed BMW's strategy may have proved – in practice, if not in theory – these losses are now largely bygones. The question for BMW is whether it can justify the additional investments now needed to make Longbridge viable. Experts argue that its new management (and its devoted Quandt family shareholders) face a terrible dilemma: if they do not throw good money after bad, BMW risks becoming too small to survive: if they do, BMW risks losing too much money to do so. Or, as Goldman Sachs puts it, "BMW is caught between its *long-term strategic need to* expand volume to ensure its independence and the imperative to stem the losses at Rover cars."

This is just the sort of painful dilemma businesses exist to confront. There is no compelling reason why *government should also be* involved. It is also very difficult to believe that government assistance would be the decisive factor for BMW, unless the sums on offer were enormous. In the context of what is at stake for the company, £100m, or even £200m, must be neither here nor there.

Thus, BMW and the government are in an auction in which both have *an interest in concealing* how far they are prepared to go. BMW's threat to shift production to Hungary may, for example, be genuine. But it is also an obvious negotiating ploy. The worry that results is that the relatively small sums now on offer would not prove the end of the matter. The British government could be driven to offer far more. This must not happen.

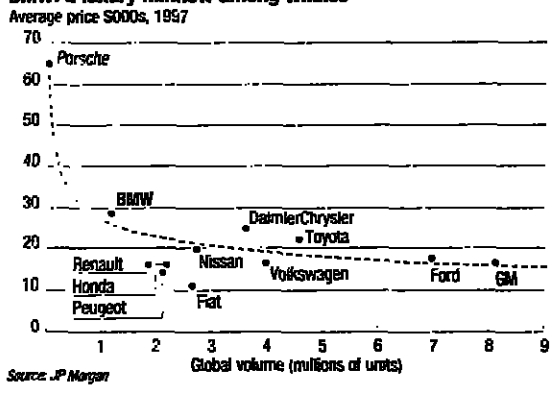
If BMW wants to save Longbridge, it should be encouraged to do so. But the government should think hard about the assistance auction it is now entering.

Admittedly, it is difficult to argue that the offer from the government of £120m towards a project costing £1.7bn would be a big mistake, at least by the standards of past industrial policy. But it is equally hard *to believe this sum would* make the difference to BMW. If this were to be wrong, some visible jobs could be lost, apparently unnecessarily. But public money would be saved and adjustment would occur in an industry suffering from global excess capacity. Nothing could better establish the credibility of New Labour.

Martin.Wolf@FT.com

BMW: a luxury minnow among whales

Average price $000s, 1997



Source: JP Morgan

LETTERS TO THE EDITOR

A first eleven line-up for Europe

From Sir Nigel Broomfield and others.

Sir, The resignation of the entire European Commission provides Europe with a welcome opportunity to choose a new executive team on the criteria of competence and efficiency rather than opportunism and expediency. We propose, as part of a reform of the Commission's size and decision-making structure, a First Eleven to lead Europe. We invite FT readers to submit their own ideas.

Sir Nigel Broomfield, Blackheath
Peter von der Heydt, Cologne
David Marsh, London
Dominique Moisi, Paris
Prof Willie Paterson, Birmingham
Prof Michael Stürmer, Berlin

European Commission: a new executive team

Function	Name	Current job
Chairman	Romano Prodi (Ita)	Leader, Democratic party, Rome
Chief executive	Percy Barnevik (Swe)	President, Investor AB, Stockholm
Finance, budget and industry	Klaus Mangold (Ger)	Board member, DaimlerChrysler AG, Stuttgart
Competition	Elisabeth Guigou (Fra)	Minister of Justice, Paris
Enlargement	Peter Mandelson (UK)	Member of parliament, UK
Foreign affairs and defence	Carl Bildt (Swe)	Leader, Moderate party, Stockholm
Technology	Franco Bernabe (Ita)	Chief executive, Telecom Italia, Rome
Internal immigration, police, security	Chris Patten (UK)	Chairman, Northern Ireland Peace Commission, Belfast
Trade	Peter Sutherland (Ire)	Co-chairman, BP-Amoco, London
Health and social security	Bernard Kouchner (Fra)	Minister of Health, Paris
Education and training	Miguel Beleza (Por)	Adviser to the board, Banco Atlantico, Lisbon

Meaningful talks over Gibraltar must start

From Mr Solomon A. Seruya.

Sir, Now that the people of Gibraltar and the people of mainland Spain have condemned the present blockade at the Gibraltar frontier, it is high time that the British and Spanish prime ministers put an end to this humiliating spectacle, which is a disgrace to the whole of Europe.

Sadly, it does little credit to a great European country like Spain, whose government party is wisely trying to create a reformist political image.

But putting things back to what they were three months ago is not enough. Britain is constitutionally responsible for the defence and foreign affairs of the Rock, and while respecting the preamble of Gibraltar's constitution, Tony Blair must have the vision and courage to initiate meaningful talks with Spain that will *lay the foundation of a fluid* frontier, joint use of the air*port and regional co-*operation measures that will create a climate of mutual confidence and future understanding.

In the meantime, statements on constitutional reform are unhelpful.

Solomon A. Seruya,
former minister for economic development,
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Gibraltar

Banks need to improve credit analysis

From Mr Wayne Kitcat.

Sir, Gillian Tett's otherwise excellent article on the Japanese banking crisis ("A second lease of life", March 18) overlooks one fundamental fact that must be addressed if Japan's banks are to regain public confidence – the need to improve credit and risk analysis.

Unless Japanese banks learn to analyse and apply rigorous credit approval processes. It won't be long before they build up a further substantial portfolio of bad debts.

This of course implies they have accurate financial information on which to make their decisions, and that they are allowed to make these decisions free from political or other pressures. I suspect it is this latter point that poses the biggest challenge to the future health of Japan's banks.

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Politicians genuinely from the people

From Mr Hugh Sharman.

Sir, It is being said that the downfall of the EU Commission should be a chance for the people of Europe to decide "what sort of Europe" we want. But to whom can we entrust this task? It would be hard to find a European politician anywhere today who is genuinely "from the people".

Europe's politicians, almost to a man or woman, are self-selected in their teens, at latest in university or on the so-called shop floor. Generally, their only "achievements" have been political. Sadly, this shows in their character. The career path of politicians today is similar to those whose aim it is to be train drivers, nurses, engineers or lawyers.

Political success, on the other hand, is largely due to the use of flattery – with the media and other politicians. So, in truth, there is nothing democratic or genuinely popular about their selection as "our representatives".

Indeed, the last time any European politicians were selected by genuine, popular acclamation was in central Europe, following the downfall of those most professional politicians of all, the communists. But since these countries modelled their *"emerging democracies"* on western Europe, the same people are back, enjoying well-paid, job-and-pension-secure political power, just like their western European colleagues.

Who is for the selection of fixed-term politicians by lottery, Athenian-style, whose only earnest wish is to return to "normal" life? Now that would be democracy.

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Milosevic's last stand

The threat of Nato strikes hanging over Kosovo gives the Serb leader just the promise of glory or martyrdom he needs to rally a disaffected people, writes **Guy Dinmore**

Legend has it that on the eve of the fateful 1389 battle for Kosovo against Ottoman invaders, Serbia's Prince Lazar made a last rallying cry before charging to *his death and defeat: "It is* better to die in battle than to live in shame. In the end we seek to accept the martyr's struggle and to live for ever in heaven."

Six centuries later, Slobodan Milosevic, then a communist apparatchik, adopted Kosovo as his cause and was swept to power on a wave of Serbian nationalism. Ten years on, the Yugoslavia he vowed to protect has shattered into five countries and, with Nato air strikes threatening, Kosovo is again being depicted as Serbia's last stand.

In the epic poetry that gave the Serbs their enduring identity as the last bulwark of Christendom against Islam, and now in *official* pronouncements, the ghost of Prince Lazar lives on.

The latest theme song on state television inspires Serbs to perish for their holy land "even if the skies open and judgment day comes". General Dragoljub Ojdanic, the hardline chief of staff, has told his troops to "prepare for martyrdom".

Rarely seen in public, Mr Milosevic is trying to revive *the cult-like status he* enjoyed a decade ago but which has been steadily eroded as Serb lands in Croatia and Bosnia have been lost.

"I love you, my president. I love you, even though my pension is small and I have only *50 dinars [$4] in my* pocket," exclaimed one woman at an officially sponsored rally. "Slobo, Slobo," chant supporters in a sports stadium.

But even his strongest admirers recognise that the vast crowds of the 1980s are now just a handful, and they have to be bussed in. Unreported in the official media are the small protests across *Serbia* by parents of conscripts. They ask why Marko, the president's son who runs a nightclub and has a passion for sports cars, does not defend Kosovo instead.

Milosevic: invokes the ghost of past valour against the Ottomans

Over the past year, as the war against Kosovo's ethnic Albanian separatists dragged on, *many Serbs regarded the* conflict in the distant south with indifference. Many believed the official line that the small band of "terrorists" would soon be finished or, failing that, Mr Milosevic would cut a deal.

But after the entire international monitoring mission withdrew from Kosovo on Saturday and security forces launched a fresh offensive against the rebel Kosovo Lib*eration Army (KLA)*, the unthinkable is sinking in: Serbia is on the brink of war with the western powers that were its allies in two world wars. Mr Milosevic has once again deflected public anger from his regime and against the west.

What Mr Milosevic really intends to do is shrouded in mystery. Reclusive and rarely emerging from the fortified residence, complete with bunker, that he inherited from Marshal Tito, the Yugoslav president has not directly addressed the nation since last October.

But the signs of a regime under stress are there. Army and state security bosses of *suspect loyalty have been* sacked in the six months since Mr Milosevic, under Nato pressure, reduced his security forces in Kosovo and halted a scorched-earth offensive. The independent media has been stifled. Heads of private banks and successful companies have been *arrested – officially for* corruption but in reality to seize cash for the expensive war effort.

Two former members of Mr Milosevic's inner circle believe he has decided that his regime will crumble if he "gives up" Kosovo without a fight. The hardline generals around him advise they can quickly crush the KLA if given a free hand.

"For Milosevic, it's like a *poker game," said* one former security chief who fell out of favour. "He wants Nato to bomb some military targets in Kosovo and then he will sign a peace deal. He must have some story for internal use to explain why he accepts the unacceptable. *He will say I tried to save* my people. We are on the razor's edge. There is a danger that Nato will go on bombing, *as in Iraq, and he* will lose power."

His power has waned over the years. In the Serbian government and at federal Yugoslav level he has had to make uneasy alliances with former opponents. Big cities are run by the opposition. *Montenegro, the only* republic to have stayed in Yugoslavia with Serbia, has declared neutrality in the event of war with Nato and is on the brink of secession.

"Everyone knows that the strategy of the past 10 years was a failure," the former security boss commented. "Now we don't have any friends. Russia is a poor cousin who calculates her own interests. Police officers are thinking, 'What do I do now? What am I in Kosovo for?'

"The police know they are in territory where everybody is their enemy. The best way is to give Kosovo to Nato and let them deal with the problem. Milosevic knows this but is concerned only with his own survival."

General Wesley Clark, Nato's supreme commander, says maybe Mr Milosevic wants to wipe out the KLA before finally making a deal.

"Maybe they can do it in five days, but I would be surprised," the US general commented in a telephone interview.

Diplomats recall that Mr Milosevic this month warned Richard Holbrooke, US spe*cial envoy*, that he could destroy the KLA within a week.

A turning point came late last year when the US State Department, in what European diplomats regard as a serious blunder, publicly pronounced the Serbian strongman as *the root of all* problems, and said his departure would cause no sleep to be lost.

The hardline approach spearheaded by Madeleine Albright, US secretary of state, has driven Mr Milosevic into a corner. Senior European *envoys* argue that over the past decade he has thrived in a world of chaos and international isolation and would have been better weakened if sanctions had been lifted and normal political life had prevailed.

But divisions between the *US* and its European allies have been made irrelevant by another looming refugee crisis in Kosovo and the danger of a wider *conflict* dragging in Albania and Montenegro.

Unless Mr Milosevic makes an unexpected last-minute reversal, then Nato – with its own credibility at stake as its 50th anniversary approaches – is likely to intervene.

"It's a political decision," said Gen Clark. "We've been ready for a long time."

COMMENT & ANALYSIS

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A new agenda for Europe

A cold wind of democracy blew 20 European commissioners out of their jobs last week: it will have a bracing effect on the European Union summit that starts in Berlin on Wednesday.

There are already some indications of a new determination among the leaders of the 15 countries to face up to essential reforms of the the Union. The first task must be to restore confidence in its institutions. But in doing this, ministers must consider much broader questions of the EU's governance.

The scandal has emphasised this in two different ways. First, it has drawn attention to inadequacies in all three of the EU's main institutions, including the Council of Ministers and the European Parliament. Second, it has signalled an important shift in the balance of power towards the parliament. This in turn emphasises the need for more openness in all stages of EU law-making.

On the first point, it might appear that the parliament emerged only with credit. Certainly, it pursued the allegations of corruption, cronyism and mismanagement that eventually caused the resignation of all the commissioners including Jacques Santer, their president. But the parliament is by no means immune from similar allegations, as it has itself recognised by drawing up a new charter of rules for members' conduct.

The Council of Ministers, which must approve these new rules, should ensure that they are as exacting as those that are now being proposed for the reform of the Commission. Both must be implemented speedily.

But above all, the Council must clean up its own act. Its traditions of secret deal-making and horse-trading appointments have set a bad tone for the rest of the Brussels bureaucracy. Ministers must make their deliberations more transparent and appoint people on merit rather than nationality or politics.

Next steps

They should start this week, by agreeing on a new Commission president with the strength and will to carry out the necessary reforms. This appointment is especially important because, under the 1997 Amsterdam Treaty (soon to be ratified), the Commission president will have a voice in the appointment of commissioners. He will also be able to shift bad performers to different jobs.

Cleaning up corruption and bad administration is only the first step, however. The summit must consider the longer-term consequences of a more powerful parliament as well as Agenda 2000 (the EU budgetary reform plan) and other measures that will be needed before the EU admits new members from its eastern and southern borders.

If Agenda 2000 is to be agreed this week, as it should be, significant concessions will be needed from Italy, Spain, France, Germany and the UK. All countries must recognise that total farm subsidies must at least be put on a declining path during the next century, rather than the stable level now envisaged. On some estimates the budgetary cost of enlargement might be €16bn a year on present rules – a big disincentive to admitting new members.

Too many chiefs

In addition to controlling the budget, ministers must start thinking about the institutional reforms that are to be considered at the Cologne summit in June, with a view to a new treaty after 2000. The recent upheaval in the Commission emphasises the need for these changes and may pull in the same direction as the demands of enlargement.

For example, there are too many commissioners for efficient decision-making, and too many Commission officials in some of the senior grades. It has long been recognised that the present allocation of two commissioners for each large country and one for the smaller ones will become quite unwieldy when the EU membership increases.

There is no easy solution; since the Commission has power to propose legislation, all countries, quite reasonably, want to be represented at their table. Similarly, the extension of qualified majority voting in the Council raises legitimate anxieties among those who want to limit the power of the EU to essential measures that cross borders.

However, agreement on these issues may be easier if the Commission is seen to be efficient and uncorrupted, the Council more open, and if the parliament's increased scrutiny of proposals is considered fair and responsible.

Achieving this virtuous circle of reform will not be easy. But it is necessary, particularly as economic policy becomes more centralised as a result of economic and monetary union.

The difficulties should not be exaggerated. Despite its faults, the EU can boast huge achievements in the past 40 years, culminating in the birth of the euro. Its structures may seem unwieldy, but this partly reflects its character as a free association of nations committed to economic liberalism. The recent scandal must be the spur to improve its political processes and preserve those virtues.

Russia's debt

Yevgeny Primakov, the Russian prime minister, is off to Washington. His aim is to persuade the White House and the International Monetary Fund that Russia needs cash. But the IMF should not throw good money after bad. The US administration should refuse Mr Primakov's plea to lean on the Fund.

The IMF's $23bn lending programme to Russia failed dramatically when the government devalued the rouble and defaulted on its domestic debt last August. The IMF suspended lending then. It should not start again now. Unhappily, this means that Russia will default on its IMF debt. This cannot be helped.

At the heart of Russia's economic crisis is a state which is ineffective and dishonest. The best that can be said of Mr Primakov's communist-dominated government is that things have not got much worse. Although annual inflation topped 100 per cent in January, Russia has not descended into the hyper-inflationary chaos many expected.

The sorry state of the government's finances means that the threat of chaos remains. Haggling over the size of the projected primary surplus with the IMF would miss the point. The government's budget plans are largely a work of fiction. It is unwilling and unable to collect taxes, or to impose discipline on the "oligarchs" of big business. It cannot pay its bills, pensions or wages. The only way to clear the backlog would be to run the printing press at full throttle.

The inability to raise taxes is also the reason Russia has run up $50bn debts – on top of its existing Soviet-era debt – that it cannot pay. It has already stopped servicing its domestic debt. While western banks bargain to get a fraction of their money out, many Russians who invested in government securities have lost their savings.

Despite a healthy trade surplus, capital flight means that Russia's reserves are also running out. Michael Zadornov, the finance minister, says that without the IMF's help, the government cannot service its foreign debts. It needs $4.8bn (£2.9bn) to service its IMF and World Bank debt this year.

The argument used in the past for continuing Russian loans – that, despite the corruption, the money at least supported reform – no longer applies. There are no heavyweight reformers in the government. There is no real commitment to clearing up the public finance mess, or to sorting out the rotten banking system.

As for President Yeltsin, he is no longer able to fulfil his constitutional role. If he put the country's interests first he would resign immediately.

Failing that, there is no chance of progress this side of next year's presidential elections. Mr Primakov, a former intelligence supremo, seems to be doing a good job of managing stagnation and worrying the Clinton administration with threats of doom if Russia is not bailed out yet again. But nothing more.

If the US wants to give money for political reasons, it should do so. But the IMF should not agree to new loans. That would amount to taking money out of one pocket simply to prevent Russia from defaulting on existing loans from the fund. Fiddling the books to disguise the fact that loans are bad is the sort of behaviour that is deplored in commercial banks. It must not become official IMF policy.

Miracles never cease

The planned mega-mergers among Italy's largest banks will lift the medieval gloom of vested interest and secrecy in the country's financial sector, says Paul Betts

The Italian banking industry could not have chosen a more apposite day to engineer the biggest financial shake-up in the country's postwar history.

Yesterday, the fifth Sunday in Lent, is also known in Italy as Lazarus Day. And just as priests around the country were reading the Gospel of the miraculous resurrection of Lazarus, the boards of two of Italy's largest banking groups were meeting to launch separate attempts to combine with two other big domestic banks. It may herald a resurrection of the Italian banking system.

If successful, the bids would mark not only a tumultuous upheaval in Italian banking and finance. They would also end an era in Italian business that has been dominated for the past four decades by a small and influential network of state and private groups, dealing behind closed doors and controlling their assets by cosy non-aggression pacts and intricate cross-shareholdings.

As one excited Italian banker put it yesterday, "the Middle Ages of Italian finance" would finally be over, with the country's business structure adapting itself to the modern world of European monetary union and the general globalisation of finance and industry.

This may be an overstatement. But that something momentous was cooking was already obvious in the past few weeks. Olivetti's audacious €53bn hostile bid for Telecom Italia, its much larger privatised telecommunications rival, had signalled a radical change in the country's corporate culture. In retrospect, it was only an appetiser.

Cesare Romiti, former chairman of Fiat and a long-standing member of the so-called "Noble Wing" of Italian finance around the secretive Mediobanca investment bank, warned observers on Saturday to prepare for "great fireworks this weekend".

And yesterday UniCredito Italiano, the banking group formed last year through the merger of Credito Italiano and three large north Italian regional banks, offered to merge with Banca Commerciale Italiana (BCI), its Milan rival, in a share swap that would create a group called Eurobanca.

Within hours, the board of San Paolo-IMI, the country's biggest bank created last year through a merger of Turin's Istituto San Paolo and the Rome-based IMI group, said it wanted to combine with Banca di Roma.

Italy never does anything by halves. After years of promises, fine words and false starts to the modernising and restructuring of its financial industry, the country over a short frenetic weekend has not only sought to catch up with the trends in the rest of Europe but, if anything, tried to overtake its neighbours.

Not one but two mega-banking mergers in one day. A once highly fragmented and inefficient banking system has suddenly moved to regroup itself around a handful of large institutions, better equipped to fend off possible approaches by foreign groups as well as having the scale to consider cross-border expansion.

The UniCredito-BCI combination would create a bank with total assets of nearly L500,000bn. *More significantly*, it would create a group with a stock market capitalisation of about €38bn, more than that of Deutsche Bank (without Bankers Trust).

A merger between San Paolo-IMI and Banca di Roma would create an even larger group in terms of assets: L550,000bn in total. But this may be just the start of a further wave of consolidation.

The first important Italian banking consolidation was the merger two years ago of Banco Ambroveneto and the Milan Cariplo savings bank into Banca Intesa. The combination, which created a bank with total assets of L310,000bn, kicked off the current process of consolidation.

It was followed by the San Paolo-IMI marriage and the creation of UniCredito. Banca Intesa is unlikely to remain indifferent to the latest acceleration in the process; nor is Banca Nazionale del Lavoro and its partners, the INA insurance group and Banco di Napoli.

The events of the past 24 hours are expected to send "traumatic repercussions" through the once closely knit Italian financial system, said a US investment banker in Milan. Above all, it spells the end of the all-pervasive influence of Mediobanca and Enrico Cuccia, its 92-year-old honorary chairman, regularly described in the past as Italy's most powerful banker.

Set up 53 years ago, Mediobanca has played a central role in postwar Italian deal-making and *has itself* been closely tied to UniCredito, BCI and Banca di Roma. Although each owns 8 per cent of Mediobanca, in the past it has been pulling all their strings.

Mr Cuccia and Vincenzo Maranghi, Mediobanca's controversial chief executive, have had a particularly trying weekend. They are no longer calling the shots, even in the "Noble Wing", or *salotto buono*, of Milan finance. The *salotto*, as one Italian banker put it, has become a Wild West saloon and Mediobanca itself is seen as a potential takeover target.

It would be rash to write off Mediobanca altogether. Mr Cuccia and Mr Maranghi, his protégé, are expected to fight hard to salvage what they can for their bank and its waning influence.

> **In one weekend Italy's banks have sought not just to catch up but to outstrip their rivals**

For the past 12 months they have attempted to restore some of their influence by forcing Banca di Roma and BCI to merge. But BCI, after a stormy board meeting last Thursday, finally decided to free itself from an earlier obligation to negotiate a banking partnership exclusively *with Banca di Roma. In so doing*, BCI opened the door to UniCredito, whose aggressive chief executive, Alessandro Profumo, wasted little time putting together his merger proposal.

Mediobanca's problems had been growing for the past three years. Traditional allies such as Fiat and Credito Italiano started acting independently to map their futures in a fast-changing global market. But the bank also started making mistakes, including the fiasco of an attempted merger between the Marzotto textiles and clothing group and the HDP holding group, which has media, luxury goods, textiles and paper interests.

Mr Maranghi himself came under heavy criticism for his management by many of the *salotto buono*'s big shots, not least Fiat's Agnelli family, which is seen as a sponsor of the San Paolo-IMI merger with Banca di Roma. And Mediobanca was torn by internal turmoil: it lost one of its brightest stars, Gerardo Braggiotti, to Lazard Frères. Mr Braggiotti is now advising UniCredito in its bid for BCI.

In its attempts to maintain its dwindling influence of the system against increasing competition from US investment banks on its Italian patch, Mediobanca appears to have lost sight of the irreversible process of change taking place in Italy and now starkly illustrated with this weekend's banking upheaval. It has not only put at risk its own independence but also the network of blue-chip companies it controls or has traditionally influenced.

Beyond the secretive world of Mediobanca, however, several other factors have prompted the first stage in Italy's banking consolidation as well as broad industrial restructuring: Italy's successful campaign to join the first wave of Emu, its own privatisation programme and financial globalisation.

Yet only a month ago Lucio Rondelli, UniCredito's chairman, said: "The world is moving at an ever-increasing rate, but Italy is displaying some stickiness in this process."

In retrospect, his words appear to have been prophetic. The sudden acceleration of Italian banking consolidation was prompted in large part by events outside Italy. Italian banks were alarmed first by the merger in Spain of Banco Santander and Banco Hispano-Americano; then by the merger in France of Société Générale and Paribas. These two now face a hostile bid from Banque Nationale de Paris.

"The Italian mergers completed so far were regarded until a few weeks ago as a viable, if temporary, solution to the growing globalisation of the industry," said a Milan banking analyst before this weekend's events. "But they have already been overtaken by events and Italian banks will be forced to seek even bigger alliances."

In the same way, Fiat has been forced to step up its search for an international partner in the wake of the consolidation in the world car industry. Only a week ago Giovanni Agnelli, Fiat's honorary chairman, admitted his group was "too small". Until a few months ago Fiat had claimed it could survive on its own. Then in November it decided to bid $14bn, unsuccessfully, for the whole of Volvo.

The Bank of Italy had also become worried about the future of the country's banking system and the risks of foreign intrusions. Foreign banks have long had their appetites whetted by Italy's rich savings deposits – the country has the second-largest rate of savings after Japan. The fragmented structure of the industry, with even the largest banks appearing relatively small on a global scale, risked making it an easy target.

Already Crédit Agricole of France was the dominant shareholder in Banca Intesa; Deutsche Bank had recently built up stakes in both BCI and UniCredito; Banco Bilbao y Viscaya is the biggest shareholder in Banca Nazionale del Lavoro; Paribas has a stake in BCI; SocGen a stake in UniCredito; Banco Santander in San Paolo-IMI; and last week ABN Amro took an 8 per cent stake in Banca di Roma.

Carlo Azeglio Ciampi, the Treasury minister, said he had originally proposed the merger of BCI and Credito Italiano, the two big Milan banks, 15 years ago when he was governor of the Bank of Italy. Others at the time thought differently.

Antonio Fazio, the Italian central bank governor, said on Saturday: "The intensification of domestic and international competition, the process of banking concentration and the reduction in state holdings are leading towards more efficient structures, consistent with the evolution of international markets."

In other words, the Bank of Italy welcomed the latest blockbuster mergers. As a devout Catholic, Mr Fazio would not have missed the lesson in yesterday's Gospel.

OBSERVER

Breuer behaves himself

Talk about minding who you mention. Rolf Breuer, Deutsche Bank's boss, appears relaxed, confident – even risqué – but mention a certain country and he comes over all coy.

Breuer calls Deutsche the only truly European bank – and it certainly has friends and footholds in plenty of places. "We are polygamous by nature, we do it with everyone," he boasts.

But what does he make of recent events in France, where the biggest banks are bidding for each other in an unprecedented flurry of takeover attempts?

France, *bien sûr*, is different. Suddenly Breuer – no doubt mindful of the fact that Deutsche has just asked the French authorities for clearance to set up its own branch network in France – is less passionate about polygamy and rather more prim and proper.

"What's happening in front of our eyes in France right now is very French," he says. "The nature of the process does not allow a foreign bank to get involved. It would counter the French self-image." Very diplomatic, Deutsche.

Untouchable?

There's a furious political battle going on in Britain – but one of the armies can't decide whether to use its not-so-secret weapon.

Elections are due in May for Scotland's first ever parliament and government, and support for the upstart Scottish National Party, which once led the polls, has begun to sag.

So does the SNP, who want Scotland to separate from the rest of the UK, wheel out their very biggest cannon?

The howitzer in question is Sean Connery, who used to play that epitome of Englishness James Bond, but who's become increasingly fond of his Scottish roots.

Connery's pulling power has increased with age and he'd probably prove a box office hit if he went on tour to whip up support for independence.

The only problem is that one of the central planks of the SNP's campaign is to reverse a recently announced tax cut and spend the extra money on good causes.

All well and good. But is a film star based in Spain, where the sun is stronger and the taxes are lower, quite the right figurehead to drive home the message? Observer waits to see whether Connery's sitting comfortably in the front row chomping his popcorn when the SNP campaign curtain goes up.

Soul of wit

So Bill Clinton's back on form. After succumbing to pressure to show a little contrition and saying sorry to the world over the Monica affair, he's now apparently ready to crack the odd joke about the whole sordid business.

At a recent gala dinner for hundreds of journalists and sundry movers and shakers, he quipped: "If this isn't contrition, I don't know what is."

But if he was trying to hide his bitterness about the Congressmen who tried to force him from office, he wasn't doing very well.

"They're at the Taliban correspondents' association dinner," he smirked.

What's more, the President said he'd heard the Republican Congressmen wanted to appeal the final verdict that acquitted him. They were going to the judges of the Holyfield-Lewis heavyweight fight, he said.

That particular slugging match has become the subject of a Grand Jury investigation, after the decision to call it a draw outraged thousands of viewers who thought Lewis had won.

America's master of self-control kept up the steady stream of jokes. But was there any lingering evidence of contrition? You must be joking.

Knockabout

Parliamentary pugilism is a fine old tradition, but Taiwan could surely have timed its latest rumpus rather better.

After years of relative quiet in the national legislature, the deputies have recently been up to their bad old tricks, insulting and jostling each other more like boxers in a ring than serious statesmen.

The fist fights of yester-year were a favourite in China, which used to delight in screening them as part of the campaign to discredit the democratic credentials of its island rival.

Others saw the fracas as an entertaining sideshow to the once-docile legislature's emergence as a proper parliament.

And since negotiators from Beijing were in town last week, the most recent ructions didn't exactly come at the most appropriate moment.

And the winner is

Never mind who wore – let alone won – what at last night's Los Angeles Oscar ceremony: the international hedge fund community has its own show. Last week, there were lashings of glamour and glitz at London's "Hedge Fund Oscars".

Bronze gongs were handed out to 14 lucky winners for achievements like "Best Risk-Adjusted Performance Award", and "The Short Selling Award".

Observer looks forward to much more innovative categories next year. How about "Biggest Grossing Management Bonus" for starters?

The Financial Times

100 years ago

A Rival For Standard Oil
New York, 21st March. A combination of English capitalists has organised a company under the laws of the State of Kansas with a capital of $250,000,000 to acquire petroleum fields in the Indian territory. It promises to be the strongest competitor yet seen to the Standard Oil Company.

50 years ago

Terrorism In Malaya
The many difficulties confronting members of the Rubber Growers' Association are outlined in the fortieth annual report covering 1948. Events in Malaya, it states, were overshadowed by the activities of the organised terrorists who aimed to disrupt the economic life of the country. Planters showed great fortitude, the report states, and rubber output was a record, but personnel "are still being subjected to a continuous and exhausting strain which can only be relieved by the most rigorous suppression of the forces of disruption." The report also refers to slow progress with the war damage compensation scheme.

FINANCIAL TIMES
MONDAY MARCH 22 1999

THE LEX COLUMN

Imbroglio Italiano

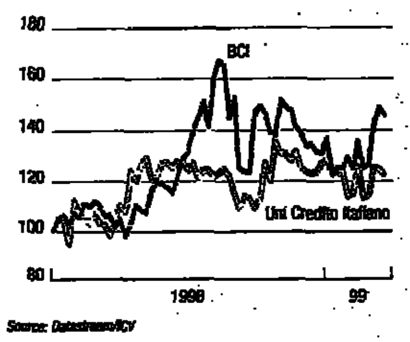
First the Spanish, then the French and now the Italians. Proposed mergers – between UniCredito and Banca Commerciale Italiana, and San Paolo-IMI and Banca di Roma – take European banking restructuring into a new gear. The larger combination, UniCredito/BCI, would have a market capitalisation of about €39bn, more than either Spain's Santander/BCH combination or Société Générale/Paribas – though not BNP's proposed three-way Gallic merger.

This restructuring is long overdue, but having finally arrived it should not end up being just about size. That matters, but efficiency matters more. A UniCredito/BCI combination stands a pretty good chance of creating shareholder value. In BCI, it has probably got its hands on the better bank. And Alessandro Profumo, UniCredito's investor-friendly chief executive, does not look squeamish about wielding the axe, particularly when compared with his French counterparts.

But until details of both bids emerge, it is hard to tell whether shareholders are really getting a fair crack. For BCI in particular, other suitors are a possibility: after all, it has only just escaped the clutches of Banca di Roma and has not been playing the field for long. Banca Intesa could be one contender – though Crédit Agricole, its leading shareholder, might not like being diluted.

Meanwhile, both deals will have interesting implications for Mediobanca. UniCredito, Banca di Roma and BCI each hold 7-8 per cent stakes in the Milanese investment bank, which used to rule the roost in Italian finance. Having previously treated these banks as its servants, it may now find that the boot is on the other foot.

BCI/UniCredito Italiano
Share prices rebased to the Comit index



Source: Datastream/ICV

French banks

Banque Nationale de Paris may have had the better of the early exchanges, but its bold plan to mesh France's three largest quoted banks is far from home and dry.

Neither of its targets, Société Générale nor Paribas, seems prepared to dump its planned tie-up and cut a deal. Indeed, SG's shares have stormed ahead since BNP's intervention. They now stand 2 per cent above the value of BNP's share offer for SG. This in turn has revalued SG's bid for Paribas, which is running neck and neck with BNP's own.

In reality, SG has rallied mainly on hopes it will negotiate an agreed and sweetened deal with BNP. In theory there is little to choose financially between its bid and BNP's grand scheme. Neither is being aggressive on job cuts and both propose to shave 7.5 per cent off operating costs. But investors have come down strongly behind BNP.

Until its intervention, SG's bid for Paribas had lopped 3 per cent off the combined value of both banks. By contrast, BNP's proposal has added 10 per cent to the combined value of all three since the end of January, immediately before SG's Paribas bid. This reflects enthusiasm for the idea of merging BNP's retail network with that of SG.

In addition, there is greater belief that Michel Pébereau, BNP's chairman, has the necessary grit to deliver the promised €1.3bn of savings.

All this leaves SG with a headache. Its offer for Paribas is in danger of hindering its defence against BNP. If it presses ahead, SG probably needs to raise the bid to establish clear superiority over BNP's rival offer. But this could be hard to justify. Paribas – which would produce only 45 per cent of the combined groups' earnings – is already getting 50 per cent of the whole. Upping that may well simply depress SG's share price, making it more likely to fall into BNP's hands.

It is difficult to see what else SG can do. Mounting a counterbid for BNP – "le pac-man" – *looks to be legally questionable in* France. And in any case, SG has already rubbished BNP's three-way merger as too risky.

So the best solution for SG's shareholders would be for the bank to drop its Paribas bid, as French takeover rules permit. This would free its hands to cut the best deal with BNP.

In an ideal world, the management would put SG up for auction. The risk of a foreign white knight coming in would force BNP to pay the best price to win its hand.

Clearly, this would leave Paribas out on a limb. Always peripheral to BNP's ambitions, it has more to lose if SG goes off on its own. Its shares are trading at a 7 per cent discount to the value of SG's and BNP's bids reflecting this risk.

But Paribas still has a few shots in its locker. One option might be to threaten a break-up. On a sum of the parts basis, its €16.5bn value does not include anything for the estimated €4bn of unrealised capital gains in its €10bn share portfolio. This would not necessarily force BNP to up its bid, but could at least give investors another option to extract value.

Oil

So is it finally time to overweight oil stocks? As Opec thrashes out the details of yet another package of oil production cuts – this time a 2m barrel a day reduction from April 1st is on the cards – talk of $17-$18 oil is in the air. But following last year's failed production cuts which targeted 2.6m barrels, considerable scepticism remains.

Although the oil price has recently risen to a five month high, it is still only hovering around last year's average. And most equity valuations reflect only $14-$15 oil.

But it could well be third time lucky for Opec now. With global growth forecasts for 1999 already slashed to around 1 per cent and Iraqi production bumping up against its capacity limits, there seems limited room for further disappointment.

However, the real test of Opec's commitment to higher revenues through higher prices, rather than greater volumes, will be in members' compliance with the cuts. Less than 70-80 per cent compliance will probably not be good enough.

US envoy to give Milosevic final warning over Kosovo

Last diplomatic move before Nato must make good its threats

By David Buchan in London, Guy Dinmore in Belgrade and Richard Wolffe in Washington

Richard Holbrooke, the US special envoy, is to make a last-ditch mission to Belgrade today to try to convince President Slobodan Milosevic that Nato will bomb his military forces unless he reins in their offensive against Albanians in Kosovo.

Coming after the collapse last week of peace talks, the Holbrooke mission is a final spin of the diplomatic dice before Nato is put to the test of carrying out its threats of military action.

Madeleine Albright, US secretary of state, said Mr Holbrooke would tell the Yugoslav leader that he now faced "a stark choice" – join the ethnic Albanians in accepting a political and peacekeeping deal for Kosovo, or bear "full responsibility for the consequences of Nato military action".

The mission by Mr Holbrooke, who has extracted past concessions from the Yugoslav leader under duress, would appear to delay any Nato strikes until tomorrow at the earliest.

Nonetheless, after ambassadors of the 19 Nato allies met yesterday in Brussels, a Nato official said the time lag between Nato warplanes receiving an order to bomb and actually doing so had now been reduced to "just a few hours".

The situation in Kosovo has deteriorated rapidly since the breakdown of peace talks in Paris last Friday. The latest offensive by Serbian forces in north and central Kosovo has pushed a further 15,000 ethnic Albanians out of their homes, according to the United Nations High Commissioner for Refugees, the main international organisation left in Kosovo after the pull-out of 1,380 international monitors over the weekend.

Nato will justify any action by arguing that there is a need to prevent a humanitarian catastrophe among refugees, as well as Mr Milosevic's breaches of past United Nations Security Council resolutions.

President Bill Clinton and Tony Blair, British prime minister, discussed the crisis by telephone last night and agreed to speak again within 48 hours, London said.

"They agreed the situation was increasingly serious and they were growing more and more troubled by what was happening on the ground," Mr Blair's spokesman said.

But the risk of Nato bombing causing a rift between the West and other world powers deepened yesterday, as China, a permanent Security Council member, denounced the threats.

Russia, another permanent Council member opposed to Nato action, has continued to try to persuade its western partners in the Contact Group on Kosovo of the need for a peaceful solution.

Reports, Page 2
Milosevic's last stand, Page 12

White House tries to calm 'hysteria' over Chinese spies

By Richard Wolffe in Washington

The US government yesterday moved to quell fears that China had gained access to American nuclear warhead, neutron bomb and electromagnetic pulse technologies, dismissing reports of widespread Chinese espionage as "hysteria".

Bill Richardson, energy secretary, also sought to reassure the public that security had been substantially tightened in US laboratories in recent days.

President Bill Clinton last week launched a formal review of the national security threat at nuclear labs, alongside an inquiry by the Federal Bureau of Investigation into Chinese leaks at the Los Alamos National Laboratory in New Mexico.

However, Mr Clinton insisted in a press conference that the FBI investigation had not proved that espionage took place.

Mr Richardson, speaking to NBC television, said: "There is a lot of hysteria out there.

"I want to be absolutely sure that our labs are secure. We are working aggressively for that to happen. We believe that the measures we have taken, which are enormously aggressive, are addressing the problem."

In particular, he dismissed as "an over-exaggeration" a report by Newsweek magazine which described Chinese penetration of the US nuclear research as "total".

The administration has already stepped up security at the nuclear labs, including the introduction of lie detector tests for all employees with access to sensitive information. It has also boosted security surrounding visiting scientists and introduced strict controls on e-mail communications.

Chinese officials have dismissed as "unfounded" allegations that a Taiwan-born scientist passed secrets of W88 Trident ballistic missile technology from the Los Alamos labs to China.

Mr Richardson confirmed that "a serious breach took place", but said it was unclear how extensive the damage had been to US national security. He also insisted that security was already being strengthened at the nuclear laboratories well before news reports emerged about possible problems with espionage earlier this year.

The White House came under continued attack yesterday from conservative Republicans who have seized on the espionage allegations to challenge the administration's wider policy towards China.

Steve Forbes, the publisher who is a candidate for the Republican presidential nomination, said: "What we need on China is a real China policy, not a sellout – a tough policy.

"You start, for example, by eliminating military co-operation with the Chinese army and military.

"We have a situation where people from the Chinese army in a few months are going to visit one of our national laboratories.

"Those things should be eliminated and cancelled," he said on NBC television. "We should say no *to China joining the World Trade* Organisation."

CONTENTS

Chile awaits UK Law Lords ruling: Pinochet supporters pictured earlier this month provide a taste of things to come this week. Page 5 AP

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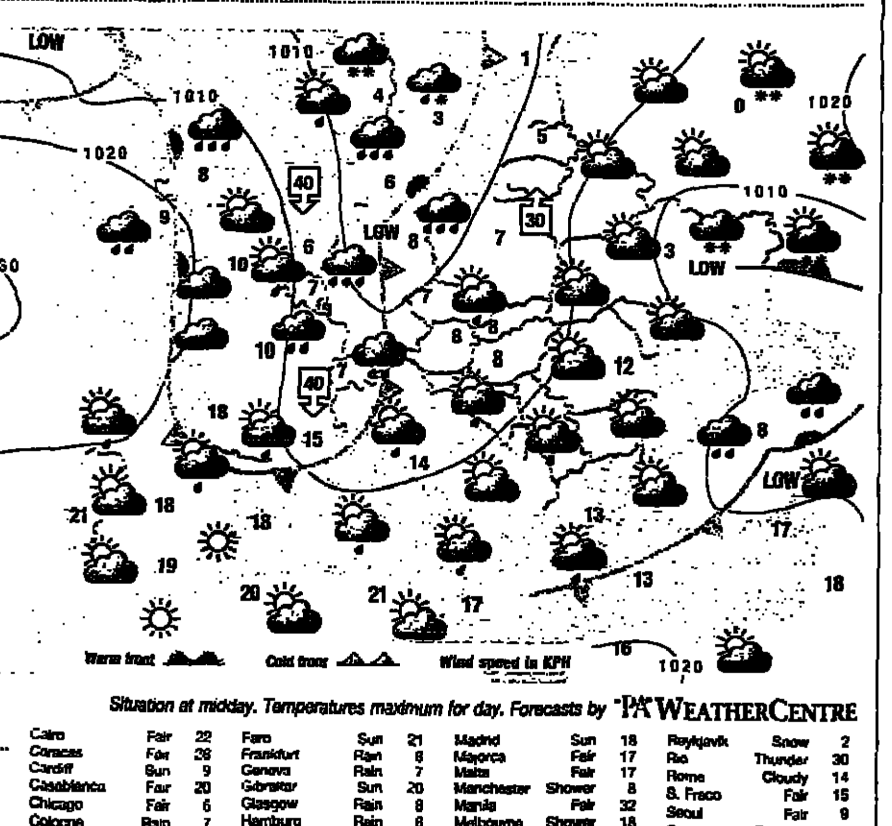
FT WEATHER GUIDE

Europe today

Northern Scandinavia will have snow showers with rain in the south. The Low Countries and Germany will be overcast with rain although Austria may be brighter with showers. Western France should be mostly dry with brighter spells but remaining parts of France will have showers or longer spells of rain. Spain will be mainly dry and sunny but there will be showers along the north coast. The Mediterranean will remain unsettled with sunny spells and showers.

Five-day forecast

Much of Europe will be unsettled with weather systems bringing more rain and showers across Scandinavia, the Low Countries and Germany. The Eastern Mediterranean will be unsettled with showers. Spain, southern France and southern Italy should stay mostly dry with some sun.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	Sun	29
Accra	Fair	33
Algiers	Sun	20
Amsterdam	Shower	6
Athens	Fair	13
Atlanta	Sun	17
B. Aires	Fair	28
B.ham	Fair	8
Bangkok	Fair	35
Barcelona	Fair	15
Beijing	Sun	12
Belfast	Drizzle	10
Belgrade	Fair	15
Berlin	Shower	8
Bermuda	Shower	23
Bogota	Fair	19
Bombay	Sun	32
Brussels	Rain	7
Budapest	Fair	11
C.hagen	Rain	6
Cairo	Fair	22
Caracas	Fair	28
Cardiff	Sun	9
Casablanca	Fair	20
Chicago	Fair	6
Cologne	Rain	7
Dakar	Fair	23
Dallas	Fair	23
Delhi	Sun	32
Dubai	Sun	29
Dublin	Drizzle	9
Dubrovnik	Shower	14
Edinburgh	Rain	8
Faro	Sun	21
Frankfurt	Rain	8
Geneva	Rain	7
Gibraltar	Sun	20
Glasgow	Rain	8
Hamburg	Rain	6
Helsinki	Snow	1
Hong Kong	Cloudy	20
Honolulu	Fair	27
Istanbul	Fair	9
Jakarta	Thunder	32
Jersey	Fair	10
Johannesburg	Thunder	24
Karachi	Sun	33
Kuwait	Sun	29
L. Angeles	Sun	18
Las Palmas	Sun	22
Lima	Cloudy	27
Lisbon	Sun	21
London	Fair	10
Lux.bourg	Rain	5
Lyon	Shower	9
Madeira	Fair	18
Madrid	Sun	18
Majorca	Fair	17
Malta	Fair	17
Manchester	Shower	8
Manila	Fair	32
Melbourne	Shower	18
Mexico City	Fair	27
Miami	Fair	25
Milan	Fair	15
Montreal	Sleet	1
Moscow	Snow	0
Munich	Rain	8
Nairobi	Fair	27
Naples	Shower	14
Nassau	Sun	27
New York	Rain	8
Nice	Sun	15
Nicosia	Fair	17
Oslo	Fair	4
Paris	Rain	10
Perth	Fair	30
Prague	Shower	8
Rangoon	Sun	37
Reykjavik	Snow	2
Rio	Thunder	30
Rome	Cloudy	14
S. Frsco	Fair	15
Seoul	Fair	9
Singapore	Thunder	32
Stockholm	Sleet	3
Strasbourg	Rain	8
Sydney	Fair	24
Tangier	Sun	21
Tel Aviv	Shower	18
Tokyo	Fair	11
Toronto	Snow	1
Vancouver	Shower	11
Venice	Shower	8
Vienna	Thunder	9
Warsaw	Shower	7
Washington	Fair	9
Wellington	Fair	20
Winnipeg	Sun	5
Zurich	Rain	6

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Gucci board meets over LVMH offer

Fashion company faces action over white knight deal

By Alice Rawsthorn

The board of Gucci, the embattled Italian fashion company, met last night to discuss Friday's $5bn offer from LVMH, the French luxury goods group..

The $85-a-share cash offer from LVMH, tabled on Friday morning, is conditional on Gucci abandoning a $2.9bn deal announced on Friday morning to issue a 40 per cent stake to white knight bidder Pinault-Printemps-Redoute (PPR), the French retail group.

Bernard Arnault, chairman of LVMH, immediately sued to nullify the deal with Pinault, which is controlled by François Pinault, a former ally of Mr Arnault. The case is due to be heard today in Amsterdam, where Gucci is quoted.

If the court finds for LVMH, Mr Arnault, who rebuffed the Gucci board's efforts to persuade him to mount a 100 per cent bid, is expected to press ahead with his offer of $85 a share. LVMH controls 34.4 per cent of Gucci, bought this year for $1.4bn.

If the court upholds the Pinault transaction, Mr Arnault's offer will be withdrawn. Otherwise, he would have to pay an additional $3.3bn to Mr Pinault for the 39m new shares issued to PPR by Gucci, advised by Morgan Stanley, on Friday.

Mr Arnault's offer also excludes the 20m new shares Gucci issued last month to an employee share option plan (ESOP), created to neutralise his holding.

LVMH, advised by Goldman Sachs and ABN Amro, has also appealed to a Dutch court to nullify the ESOP. However, in the preliminary hearing, its voting rights in Gucci were frozen, as well as those of the ESOP, pending a final ruling late next month.

If LVMH wins the case and the Pinault share issue is voided, it would have to pay $3.3bn cash for the remaining 65.6 per cent of Gucci. Mr Arnault would also owe $65.7m to Prada, the rival Italian fashion company from which he purchased a 9.5 per cent Gucci stake in January.

Prada, which bought the shares for $46 each last summer, has made a $140m profit on its sale to LVMH. Under the terms of their agreement, if LVMH bids for Gucci within three months, Prada can claim 80 per cent of the difference between its $70.50 sale price and the bid price.

Mr Arnault may face a counterbid for Gucci from Mr Pinault, who on Friday said Artemis, his private company, is to buy the beauty business of Sanofi, the French pharmaceuticals group, for FFr6bn ($1bn).

Mr Pinault, advised by Morgan Stanley, hopes to sell the Sanofi business, including the Yves Saint Laurent brand, to Gucci for the same sum. Gucci intends to use it as the basis of a luxury conglomerate to challenge LVMH.

Designed with flair: Not a suit in sight at Gucci's spring collection AP

Venator faces battle over 'poison pill'

Largest investor calls for provision to be abandoned

By Andrew Edgecliffe-Johnson in New York

The largest shareholder in Venator, the US sports shoe retailer, known until last year as Woolworth, is trying to force the group to abandon a "poison pill" provision and to change its name back.

The move by Greenway Partners, which owns 14.7 per cent of the retailer, will add to the pressure on Roger Farah, Venator's chairman and chief executive.

According to one New York headhunter, there are doubts about whether Mr Farah's five-year contract will be renewed when it expires next January. Venator said only that Mr Farah was "currently in discussions with the board".

In a filing with the Securities and Exchange Commission last week, Greenway said it might nominate its own candidates for election to Venator's board of directors.

It also threatened to withhold votes from some or all of the existing directors who are up for re-election in June. Greenway, a New York investment partnership founded by Alfred Kingsley and Gary Duberstein, has made similarly aggressive moves at US Shoe, Unisys and Outboard Marine. Venator would not comment on Greenway's proposal.

Venator, which owns the Foot Locker chain and has 6,000 stores, has been one of the few US retailers not to share in the benefits of a consumer spending spree. In the last year, its share price has fallen from a peak of $27¼ to $6⅝ on Friday, having touched a low of 3\frac{1}{16}$ in February.

"In the last year they haven't been too successful with their new name," said Mr Kingsley. "Woolworth has a lot more name recognition."

He added that Greenway objected to the fact that Venator had not sought shareholder approval when it reinstated a poison pill last year. Greenway had objected last year, he said.

Under the provision, if any shareholder gains control of more than 20 per cent of the company without its permission, the other investors' shares convert at a rate of 20 to one to dilute the holding of the potential predator.

On Friday, Venator announced that it had renegotiated a $400m credit agreement with its bank group, giving it "adequate working capital to execute our 1999 business plan". The bank agreement restricts dividend payments and stock buybacks, however.

Airline alliance seeks stake in Thai carrier

By Ted Bardacke in Bangkok

Star Alliance, the global airline grouping, plans to form a consortium to bid for a substantial equity stake in Thai Airways, one of the partners in its grouping.

Thamnoon Wanglee, Thai Airways president, said Star, led by United Airlines and Lufthansa, wanted to buy as much as 23 per cent of the airline, which is being sold by the government.

The move would be the first equity link-up between Star Alliance partners, who currently co-operate on scheduling, frequent flyer programmes and other corporate services without any cross-shareholding.

It also raises the possibility of a bidding war between Star Alliance and One World, its closest competitor among global airline alliances. Qantas of Australia, a founding member of One World, has indicated an interest in bidding for a stake in Thai Airways, possibly in partnership with British Airways, another One World partner.

"Star members want to buy a stake in Thai as a group ... and would form a consortium or holding company to do it," said Mr Thamnoon.

On Friday, Thai Airways selected a group of investment banks, led by CS First Boston and Dresdner Kleinwort Benson, to advise it on selling as much as 23 per cent of the airline either to a strategic partner or via a public share offering, or a combination of both. No sale date has been announced.

Mr Thamnoon said Star had resolved to buy the stake at its last board meeting. Currently, 7 per cent of Thai Airways shares are listed on the Thai stock market and the government owns 93 per cent. That government stake will be reduced to no less than 70 per cent.

"Certainly, whoever buys into Thai is looking to strengthen an alliance or build one," said an investment banker who has studied Thai Airways.

Other possible bidders include Swissair and Singapore Airlines, neither of which are a member of a branded global airline alliance.

The other Star Alliance members are Air Canada, Scandinavian Airline System and Varig Brazilian Airlines. All Nippon Airways is scheduled to become a full partner later this year.

Volvo set to list its shares on fewer stock exchanges

By Tim Burt in Helsinki

Volvo, the Swedish automotive group, is planning to scale back its multiple share listings following rising dealing costs and poor liquidity in many of the markets where it is quoted.

The company is expected to cut the number of exchanges trading Volvo shares from nine to three, retaining listings in London, New York and Stockholm. Senior officials said the company had begun the process, withdrawing last year from Paris, Zurich, Basle and Geneva.

"We will gradually de-list from other exchanges because the turnover and administration costs do not justify our presence," said the group.

Earlier this month, Volvo promised investors a SKr10bn ($1.2bn) share buy-back or redemption following the sale of its car division to Ford of the US for SKr50bn.

The company denied that the phased withdrawal from exchanges in Frankfurt, Tokyo, Brussels, Antwerp, Dusseldorf and Hamburg was linked to the buy-back plan, which requires legislation from the Swedish government.

A reduction in the number of separate listings could also make it easier for Volvo to issue new shares to fund an acquisition.

Following the Ford transaction, Leif Johansson, Volvo chief executive, said the group planned to expand aggressively in commercial vehicles. The company has already held abortive takeover talks with Swedish truckmaker Scania – in which it has acquired a 13 per cent stake – and made overtures to Navistar, the US truck and bus manufacturer.

It is also understood to have made an informal approach to Case, the US manufacturer of earth-moving equipment and tractors. Officials close to Case played down the prospect of an imminent deal.

Volvo shares traded in New York fell by 3 per cent last year, while the proportion of non-Swedish investors fell from 36 to 33 per cent. Volvo hopes quitting smaller exchanges will increase liquidity in New York and London. Most of the average 1.6m Volvo shares traded daily change hands in Stockholm, where they have been listed since 1935.

RICHARD WATERS
GLOBAL INVESTOR

Diminishing forces

Will 10,000 turn out to be a ceiling or a springboard? Last week it was the former; the stock market bumped its head against a five-digit Dow Jones Industrial Average without making a sustained breakthrough.

The general view on Wall Street, though, is that it will quickly become a springboard. The talk last week was all of Dow 12,000, 16,000 or more within two or five years.

Last year's brief period of nastiness is already being consigned to history as the bear market that passed in a blink of the eye, clearing the way for an all-new bull run. But if that is the case, what will provide the momentum?

The big stock market rally of the second half of this decade has been characterised by two things: rising corporate earnings and falling long-term bond yields, with declining yields becoming the more important factor of the two in the later stages.

Neither force is likely to be as powerful in the months ahead.

The shrinking pool of companies that can promise to deliver double-digit increases in earnings has already produced a distinct narrowing of the stock market. Ever-more money is being switched to back the winners, leaving a growing herd of also-rans to fumble along in the shadow of new stock market records.

Also, what earnings there are may become of more dubious quality – a point aptly made last week by Warren Buffett.

It has become too easy for companies to bend the accounting rules to plump up their earnings, particularly when they are involved in takeovers.

In fact, it has become second-nature. Talking privately last week, one American executive said he expected a rival company's stock to perform well after its latest acquisition: "The accountants almost guarantee you will make the numbers in the first year." Needless to say, this executive's company had done a fair number of deals of its own in recent years.

It remains the fact that part of the 1990s earnings "miracle" was produced by lower interest charges and falling tax rates.

If these have run their course, the rate at which corporate profits rise will necessarily be slower.

The bond market, meanwhile, seems unlikely to lend a hand. Long-term interest rates have risen three quarters of a point from their crisis-induced lows and the conditions that produced such a demand for US Treasury bonds may be passing.

It is clearly too early to tell if this year's spring-time hopes for Asia prove more lasting than those of last year, or how quickly the restructuring of Japanese finance and business will take effect.

However, even if the world is not on the verge of some broad economic recovery – let alone a pick-up in global inflation – it may be experiencing what Jeffrey Applegate at Lehman Brothers calls "a diminution of cyclical deflation". The worst, for now, is over.

Over the long run, perhaps, the US could not live with the imbalances created by an imploding Asia and a staggering Latin America, but over the short run it has proved highly conducive to low interest rates, soaring domestic demand and a booming stock market that has added $5,000bn to share prices in just two years.

The signs of a turnaround in Asia and the blip in energy and other commodities prices, may be signalling that this period is coming to an end, even if a burst of inflation is not yet around the corner.

For now, the Fed has seen fit to let the market do its job, as rising long-term rates have forestalled the need for official earlier action. But it remains the case that short-term rates were cut to their present level in the throes of a financial market crisis last year.

The present structure of US interest rates was conceived to halt a financial crisis that was threatening to spiral out of control, not to deal with a world on the verge of an economic recovery.

The emergency liquidity pumped into the world financial system last autumn was meant to buoy the submerging economies of Asia and Latin America, not add to the swelling tide surging through the US stock market.

If the emergency remedy has worked, then US share prices may lose one of their strongest supports.

"This could be the first year for a while when the stock market does not get a tailwind from falling interest rates – in fact, interest rates are turning into a headwind," says Martin Barnes, an economist at Bank Credit Analyst in Montreal.

Doubts over EU pension test case

By Jane Martinson and Nicholas Timmins

A group of multinational companies is planning a fresh attempt to pave the way for the creation of pan-European pension funds with a European Court of Justice test case.

The latest moves over EU tax discrimination are part of a twin-track approach, with multinationals and European pension providers divided about the right strategy.

While some companies believe a European Court of Justice test case is the best way forward, the European Federation for Retirement Provision – a Brussels-based lobby group – is hoping to persuade the European Commission to back a new funding vehicle which could achieve the same objectives without antagonising national tax authorities.

Earlier efforts to set up a Pan-European Pension Association foundered because of national disagreements and the unwillingness of multinational companies to fight the issue publicly. Now William Mercer, the international benefits consultancy, is seeking 20 companies to share the costs of a case which would challenge the tax laws which make cross-border funds extremely difficult to operate.

Geoffrey Furlonger, a Brussels-based consultant at the firm, said 10 multinationals had signed up so far. Legal costs are likely only to be in the region of £200,000 ($330,000), according to Ruth Goldman, head of pensions at the lawyers Linklaters. And a study carried out by consultants Watson Wyatt and others three years ago predicted average savings of 25 basis points of assets held if tax laws were changed. For large companies such as BP/Amoco this would mean annual savings of tens of millions of pounds.

But while the costs of the action are small and the potential savings large, multinationals remain wary of taking on national tax authorities over the issue. They fear that they may face less favourable discretionary decisions in their day to day business which might prove costly in the short term, whatever the long-term savings if a test case proved successful.

The Mercer plan offers supporters anonymity and, after complaints that Pepa was marked by an Anglo-Saxon confrontational approach, is seeking the widest possible base of support. Even so, one company will have to go into the firing line to provide the test case.

Meanwhile, the EFRP has proposed to the European Commission a scheme which would allow multinationals to administer and regulate cross-border funds in one jurisdiction while submitting to a variety of national tax laws. The plan is to win over member states who fear loss of tax revenues.

Wiseman bid for Amco may prompt milk feud

By Maggie Urry

A move by Robert Wiseman Dairies, the Glasgow based milk producer, to acquire Aberdeen Milk (Amco), a dairy farmers' co-operative, may spark a feud in the Scottish milk industry.

If the bid succeeds, and talks are understood to be close to concluding, it would enable Wiseman to tie up virtually all the dairy farmers in the Aberdeen area, preventing them from supplying other dairies. This could annoy other Scottish milk processors, notably Claymore, basedabout 80 miles from Aberdeen.

Wiseman has over 80 per cent of the Scottish milk market since its acquisition of Scottish Pride from receivers two years ago. Amco is one of its significant raw milk suppliers, providing milk for its Aberdeen dairy.

Amco has 120 farmer members, producing 90m litres annually. Wiseman buys 93 per cent of that milk, which accounts forabout 15 per cent of its milk purchases.

Wiseman argues that since it already buys nearly all the milk the deal should not be controversial. The value of the bid is rumoured to be about £1m.

However, that argument may not be persuasive to Claymore. This is the processing arm of the North of Scotland Milk Co-operative Society, another dairy farmer grouping, which turns raw milk into liquid milk and cheese. Last December Express Dairies, the Leicester-based milk processor, paid £2.2m for a 51 per cent stake in Claymore's liquid milk division.

Express aims to develop Claymore's Highland Fresh brand of milk, and has invested in extra processing capacity, and a depot in Coatbridge, central Scotland. The aim is to sell milk into the more heavily populated central Scottish belt, which is Wiseman's heartland.

The spat is further evidence of the need for rationalisation in the industry, and the difficulty of doing deals in a highly competitive environment.

Meanwhile, Milk Marque, the dairy farmers' co-operative which supplies more than half the milk used in England and Wales, is believed to have reached agreement with its customers.

The prices will take effect from April 1.

Alan Wiseman, chairman, reflects on the Amco bid Jason Orton

Rugby ponders future of joinery unit

By Thorold Barker

Rugby, the building materials group, is considering the sale of its joinery business to focus on its core cement operations. Analysts believe a sale could fetch up to £300m.

Peter Johnson, chief executive, is expected to announce plans for the future of business with the full-year results on March 30.

The move would follow the sale of Pioneer Plastics Corporation, its non-core laminates division, in December for £96m.

It would leave it concentrated oncement operations in Australia and the UK, where it is the third biggest producer after Blue Circle Industries and Castle Cement.

Difficult trading conditions in Boulton & Paul, the UK joinery business, were behind a profits warning in December, when 400 job cuts were announced.

In the six months to June 30, turnover in the UK joinery division fell by 19 per cent to £93m, cutting operating profits by 40 per cent to £2.5m. In December, the group said it did not expect UK joinery profits in the second half to exceed those in the first.

The joinery businessis expected to account for about 70 per cent of Rugby's £1.03bn turnover in 1998. Operating profits are expected to be about £33m, out of £77m.

The shares have recovered from 81½p on the day of the profits warning in December to 110p - giving a market value of £710m -still below a 52-week high of 142½p.

3i seeks to charm Electra holders

By Katharine Campbell, Growing Business Correspondent

3i, the venture capital group making a £1.25bn ($2.03bn) hostile bid for rival Electra Investment Trust, will this week launch a charm offensive with Electra's main institutional shareholders.

Brian Larcombe, chief executive of 3i, is likely to face questions on the fate of Electra Fleming, the trust's manager, which is a 50/50 joint venture with Robert Fleming, the investment bank. Institutions want to know whether 3i will be able to retain the Electra Fleming team.

David Erskine, investment director at Standard Life Investments, said he would be asking what 3i plans to do with Electra's portfolio. "We don't know if the people there will stay. 3i would be buying the assets, but it is the Electra team that knows them best."

Industry observers say differences in remuneration and investment style suggest senior staff would not want to work for 3i. However, Mr Larcombe disagreed and denied a claim by Electra that it had made approaches to individual executives which had been rebuffed.

"I can't say every single executive will want to join but I happen to know some do," he said.

Mr Larcombe said he could not predict how any integration might work. However, he added: "If you ask me if it will be a boutique transplanted into 3i, the answer is no."

In the wind-up plan Electra has proposed as an alternative to the 3i bid, itwill pay Flemings £30m for its stake, but added it would write down the total value of its holding by that amount.

Meanwhile, Electra yesterday hit back at 3i which has cast doubt on its latest net asset value, updated to 786p as at February 28. "The idea that 3i has an intimate knowledge of our portfolio is frankly laughable."

COMMENT

London Underground

Political fudges produce strange hybrid creatures. The part-privatisation of the London Underground's infrastructure is a case in point. It has the body of a massive Private Finance Initiative project, and the head of a regulated utility. How attractive will this be to the providers of debt and equity – stumping up nearly £7bn of investment over 15 years?

Traditional lenders to PFI projects will be used to the welter of contracts specifying what the infrastructure companies must deliver in return for fixed payments. They may not feel so comfortable with the regulatory risk. The government's plan is for these contracts to be reviewed after seven years, to accommodate changes in the government's investment wish-list. Across the negotiating table from the infrastructure companies will be the "client", the state-owned operator of the Tube lines under the authority of a London mayor. If the two sides clash, an "arbiter" will bang heads together. Lenders may fear an unfavourable re-writing of the rules, and may insist on shorter-term debt.

Of course, regulatory risk is not so scary for investors who piled into the privatisation of UK utilities. They will like the regulatory light touch the government is proposing. Unlike the utilities' frequent battles with regulators over returns, the London Underground consortia will bid in a specific rate of return, which they get to keep throughout their 30-year concessions.

The worry is that the private sector will be hemmed in by a bureaucratic public-sector operator wanting to impose inappropriate engineering standards and procedures. Rows between the two will matter: the infrastructure companies will need the operator's say-so for routine things like getting access to stations.

Yet the government's plans can be made to look more attractive. The pill to lenders could be sweetened by government retaining more risk for things like tunnel collapse. The residual risk, though, means these consortia are unlikely to be as highly geared as PFI bids. Out go the 15 per cent-plus returns earned on slithers of PFI equity; in come duller utility-style returns for equity investors.

Financiers will seize on the problems in the government's plans. They want a good deal. The problems are there, but the government has one ace up its sleeve: past privatisations have delivered bonanzas to investors. No-one wants to be caught short again.

BT expectations of cable sales fade

By Cathy Newman

British Telecommunications's hopes ofraising interest in the sale of its two cable television franchises have been dealt a blow after some of the biggest UK cable companies decided they were not interested in bidding.

The European Commission told BT it had to sell its cable networks in Westminster, London and Milton Keynes, Buckinghamshire, to participate in Open, an interactive television venture with British Sky Broadcasting, HSBC Holdings and Matsushita.

But both Cable & Wireless Communications and Telewest Communications have failed to express an interest. CWC had been viewed as the favourite to bid.

Of the three biggest UK operators, only NTL has signalled an interest. The others have been deterred by the fact that they would only be able to offer cable television – not telephony. Traditionally, cable operators have driven margins by offering both..

Battle for BNP tests the regulatory taboos

The proposed three-way French banking merger is being scrutinised 'in the national interest' writes Robert Graham

The Bank of France has been confronted with a regulatory nightmare as a result of the proposed three-way merger between Banque Nationale de Paris, Paribas and Société Générale, which will create the country's biggest banking group.

The merger must obtain the approval of the credit institutions committee (Cecei), which vets all new banking entities and is presided over by Jean-Claude Trichet, the governor of the Bank of France. This normally mundane vetting process has been complicated by the size of the deal and because Paribas and SG regard the BNP approach as hostile while they are pressing ahead with their own amicable merger.

The sensitivity of the issue was highlighted by an unprecedented joint statement from the ministry of finance and Bank of France when the BNP bid was unveiled on March 10.

Invoking the "national interest" the authorities said they would "scrutinise the impact of the bid on the proper functioning of the French banking and financial system".

Since then, a dozen officials at the Bank of France and others at the finance ministry have been studying the dossier.

A decision is due this week but it could be slightly delayed against the background of an increasingly shrill war of words among the banks over the respective merits of the offers

Whatever technical objections are found, withholding approval would be seen in essentially political terms. The powerful ministry of finance is also represented on the committee by a senior treasury official, and denying the validity of BNP's bid would highlight the French authorities' interventionist reflexes at a time when the euro is forcing the pace of bank concentration and shareholder value is beginning to take root in France.

However, if BNP's plans to create a French national champion are given the go-ahead against the declared opposition of Paribas and SG, the regulators will have accepted the principle of a hostile bid in the strategic financial sector. This in turn would have important consequences for the shape of French banking.

"Giving the green light to this hostile bid inevitably will open the door to foreign banks," says a senior French banker. "How can the Bank of France accept BNP's hostile offer and then say "no" to the foreign banks waiting in the wings to enter the *French market?*" he added.

The French financial establishment firmly believes the consolidation of the banking system should take place under national control.

Nevertheless, allowing a hostile bid between French banks to proceed breaks a taboo and gives foreign banks an excuse to show their infinitely deeper pockets, either by offering themselves as white knights or making their own hostile approaches.

The issue is further complicated because the credit committee has already approved last month's friendly merger of Paribas and SG. Approval went ahead without apparent fuss, although the committee never comments on its decisions.

Among the technical aspects of "prudential assessment" being considered by the committee are the solidity of the merged group, the quality of the management, the projected synergies and overlaps in domestic and foreign operations, plus projections for profitability. The committee also examines the impact on jobs.

So far, BNP has spelt out little detail – notably about the nature of the management structure or how the different identities of the three banks would be maintained. Nor is it clear how the committee can take at face value BNP's promise of job protection when the markets have welcomed its bid in the expectation of labour savings.

In his capacity as chair*man of the committee, Mr* Trichet can hold discreet contacts with the respective banks to see if the bid might be turned amicable or make suggestions for improvements.

Interestingly, a decade ago Mr Trichet, as director general of the treasury, played a mediating role in the first hostile bid in the financial sector when Georges Pébereau, elder brother of Michel Pébereau, the current head of BNP, tried in vain to gain control of SG.

Mr Trichet's conduct will be even more closely scrutinised now because of his position as the designated future governor of the European Central Bank once the single currency is full introduced in 2002.

Most bankers say it will be hard for the committee to *deny BNP approval and dis*allow its bid from being fully tested by shareholders. But such a decision will raise the stakes in the bid battle and accelerate the opening up of the once closed French banking system.

Bank of France chief Jean-Claude Trichet is vetting the bid

Sun adds strength to Symbian venture

By Christopher Price in Hanover

The Symbian communications alliance received its second big boost in less than a week when Sun Microsystems, the US computer manufacturer, signed up as a partner to support the move towards an industry standard for the next generation of mobile devices.

The addition of Sun to the Symbian venture, which is owned by Nokia, Ericsson, Motorola and Psion, is the most significant move since the alliance was formed last year. The US group will use its Java software along with Symbian's Epoc operating system as the basis of a range of smart devices that will harness the communications capabilities of mobile phones to the power of hand-held computers.

Epoc has been the operating system behind Psion's range of hand-held computers. Last week it emerged that NTT, the Japanese telecoms group, had also become a partner of Symbian. The news prompted a jump in Psion's share price as NTT gives Symbian a foothold in the Japanese market.

Sun's decision to link with Symbian will put further pressure on Microsoft, the US software group, which had hoped to make its CE operating system as powerful in the consumer market as Windows 98 is for desktop computer.

Colly Myers, chief executive of Symbian, said its devices would be the consumer's physical portal, allowing access to services. Besides Java, Symbian products will also be able to harness other networking standards, such as Sun's Jini, Wireless Application Protocol and Bluetooth.

Epoc-based devices are already beginning to emerge. Last week Ericsson unveiled its first phone to use the operating system, and it has switched its hand-held computers from CE to Epoc-based Psion Series 5 models.

However, the first devices to harness the full attributes of Java and Epoc are expected to be launched towards the end of the year. Symbian receives a licence fee for every device sold.

Scott McNealy, chairman and chief executive of Sun, said the Symbian alliance was addressing a smart-phone market estimated at 40m users by 2005.

Separately, Psion last week unveiled prototypes for two new mini-notebooks, which are due to be launched later this year.

Pernod expects move on Orangina

By John Willman, Consumer Industries Editor

Pernod Ricard, the world's fifth largest drinks group, said it expected the French government to lift its veto soon on the sale of its Orangina soft drink business to *Coca-Cola, which was* blocked last year as anti-competitive.

The French group said it had also decided to sell its Yoo-Hoo milk drink, which has sales of $116m a year in the US. This follows a review of options by J.P. Morgan, the investment bank.

Patrick Ricard, chairman and chief executive, said the company had produced a *shortlist of bidders for* Yoo-Hoo, which Pernod had originally acquired to boost distribution of Orangina in the US. He expected a sale within a few weeks.

He was speaking as the group announced a 5.4 per cent increase in pre-tax profit last year to FFr2.06bn (€314m, $343m) and a 3.6 per cent dividend rise to €1.5.

Sales before duty were FFr20.58bn, up 8 per cent, largely due to growth in *sales of drinks including* Jameson's Irish whiskey, Havana Club white rum and Wild Turkey bourbon, as well as its trademark pastis aniseed drinks.

Mr Ricard said the group wanted to acquire other brands to put through its distribution network, particularly those with export potential to other markets. Even before the sale of Orangina and Yoo-Hoo, it could afford to spend FFr14bn.

He believed Coke would succeed in its appeal against the government's veto on the Orangina acquisition when it is heard by the State Council on April 8.

However, he expected the sale would bring in less than the FFr5bn offered by Coke last year, since Pernod would keep Orangina's on-trade business to protect the position of Pepsi-Cola, which it also distributes to bars, restaurants and fast-food outlets.

NEWS DIGEST

TELECOMMUNICATIONS

Swisscom withdraws from overseas ventures

Swisscom, the recently privatised Swiss telecoms company, has abandoned two of its most ambitious overseas ventures by withdrawing from investments in mobile telephone operators in India and Malaysia. It is writing off the investments at a cost of SFr519m ($355m) in its 1998 accounts. Swisscom has also lost SFr212m on other affiliated investments, primarily a holding in Unisource, an international telecoms operator. It is discussing the "repo*sitioning*" of Unisource with its partners, Telia Sweden and KPN Telecom of the Netherlands.

Last year Swisscom earned SFr1.55bn compared with a loss of SFr415m in 1997, when results were depressed by heavy restructuring costs ahead of privatisation. However, the 1998 results are well below the 1996 net income of SFr1.83bn and the main reason is the group's ill-fated international strategy, which was begun under the previous management.

Swisscom has refocused its international operations to concentrate on expanding into countries bordering on Switzerland. Total revenues grew 6.3 per cent in 1998 to SFr10.46bn and earnings before interest and tax rose 39.8 per cent, to SFr2.85m. The group will report its full 1998 results on April 14. **William Hall, Zurich**

ETHYLENE

Chinese plant stops production

A large ethylene plant in southern China has stopped production after only three months because of sluggish demand, cash-flow and debt problems, an official newspaper has said. The $960m Guangzhou Ethylene Plant, which was built by Guangzhou city authorities and the China National Petrochemical Corp, was 90 per cent financed by debt, the China Petrochemical News said. It has now been put under the trusteeship of the Guangzhou Petrochemical Co, while its future is deliberated. **James Kynge, Beijing**

CHEMICALS

German group sees upturn

Henkel, the German specialty chemicals group, has said it expects sales and earnings to rise in 1999, despite modest business activity so far in the year. But it said the difficult global conditions might force it to postpone its goals for 2000, for which it sees 4.5 per cent net return on sales.

Henkel said it expected sales to rise to DM22bn (€11.2bn, $12.3bn) this year, after growing 6 per cent to DM21.3bn in 1998 from DM20.1bn in 1997. Henkel said the sales increase was due to internal growth and first-time consolidations, while currency effects were slightly negative. In 1998, operating profit rose 13 per cent to DM1.55bn from DM1.37bn in 1997.

Henkel had already announced core preliminary earnings data in February. Hans-Dietrich Winkhaus, Henkel chairman, said on Friday that the company did not plan to create any more separate business units. Early in February, Henkel announced that it would combine its specialty chemical products in a separate legal unit named Cognis. Cognis, which still needs shareholder approval, will have roughly DM5bn in sales and 10,000 employees worldwide. **Uta Harnischfeger, Frankfurt**

Thai AMC buys debt at big discount

By Ted Bardacke in Bangkok

The Thai government's Asset Management Corporation (AMC) was the big winner in an auction of $6bn in bad debt seized from 56 finance companies that went bankrupt in 1997. It bought approximately Bt185.4bn ($4.95bn) worth of business loans for Bt31bn.

Overall, the government's Financial Sector Restructuring Authority (FRA) sold Bt221.5bn of assets for Bt40.32bn, a discount rate of 82 per cent that was far higher than in previous FRA auctions and greater than analysts had expected.

Among private sector bidders, Goldman Sachs, bidding on behalf of Gamma Capital, bought Bt6.22bn of loans for Bt996m, Lehman Brothers bought Bt3.22bn of loans for Bt457m and Starwood, a joint US-Thai venture specialising in distressed assets, bought Bt2.24bn of loans for Bt681m. All three of these bidders had already purchased loans from the FRA last year.

But the near-sweep of the auction by the AMC, prevented from participating in earlier FRA auctions, amounts to little more than reshuffling bad debt between government agencies.

The AMC will pay the FRA for its debt with promissory notes and the FRA will distribute these notes to creditors of the shuttered finance companies. As the largest creditor by far to these companies is the Thai central bank, the state will still shoulder much of the burden of carrying these loans and managing and disposing of them.

The AMC plans to manage the loans over about five years, giving the government a chance to profit from a recovery in asset prices, while the FRA was criticised for selling too quickly in a depressed market.

But the AMC has many detractors. It is , run by Prapat Srisatayakul, a former managing director at Finance One, the largest of Thailand's collapsed finance companies. It is much less transparent than the FRA and is expected to have loose rules over debtors who have defaulted buying back their own loans, a practice prohibited by the FRA.

One critic of the AMC said he worried that the low prices paid would allow the agency to make easy gains by selling loans back to the original debtors and then present itself as having benefited the taxpayer by increasing recovery rates.

INTERNATIONAL BONDS LOW YIELDS ON GOVERNMENT DEBT AND OFFSHORE ACTIVITY BUOY MARKET

New appetite for Australian issues

By Gwen Robinson in Sydney

Favourable market conditions for corporate bond issuers in Australia and historically low yields on Australian government bonds have fuelled a recent surge in activity in Australian corporate bonds.

More than A$3bn (US$1.9bn) in pending issues announced last week gathered pace on Thursday, with ANZ Investment Bank pricing $350m of debt securities, Westpac Banking launching a $200m public Eurobond and a rating of Arnotts' $600m debt programme.

Reserve Bank of Australia said last week the outlook for Australian private bond issues seemed favourable, with corporate finances healthy and business expansion prospects promising.

In its March bulletin, the central bank said these positive supply conditions seemed to be matched by an encouraging demand-side outlook, as funds under management in Australia continue to grow strongly and the public sector debt market is likely to continue to dwindle.

"Accordingly, there may be grounds for guarded optimism that private bond markets will grow further, with potential for turnover to rise from its current low rate," the RBA said.

It noted that both asset-backed and corporate bond markets had grown rapidly in recent years, as mortgage managers and banks had begun to securitise assets and the corporate market had expanded after prolonged weakness in the early 1990s. This was mainly due to the growing focus among companies on reducing gearing ratios from the unsustainable levels of the late 1980s, the RBA said.

Asset-backed bonds amounted to about A$19bn at the end of last June, having doubled in the past two years, while corporate debt had doubled to about A$20bn since 1995, it said.

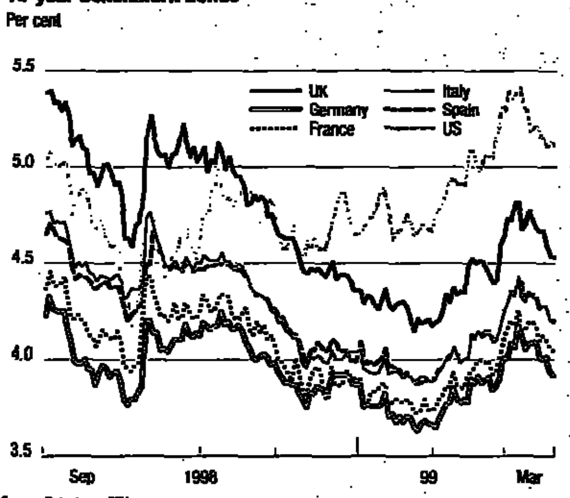
In domestic debt activities, off-shore companies have played a big role. On Wednesday, Nordic Investment Bank launched a domestic medium-term note programme worth A$2bn. Merrill Lynch International (Australia) arranged the programme and will be lead manager, with ABN Amro, Warburg Dillon Read and Westpac Banking as dealers.

NIB said it would soon announce an inaugural MTN tranche under the "kangaroo bond" (the sector for foreign issuers in the Australian domestic market) documentation. Given the decline in supply of Australian government paper, it said it intended to establish recognition by issuing liquid MTN tranches in different maturities, market conditions permitting.

NIB said it would also take necessary steps to include applicable MTN tranches in various bond indices. It sent a team to Australia in November to meet more than 40 institutional investors to discuss conditions for its issue. The bank, whose long-term debt is rated AAA/Aaa by Standard & Poor's and Moody's, is a multilateral institution owned by the five Nordic countries.

10-year benchmark bonds

Per cent



Source: Datastream/ICV

ANZ investment Bank said corporate spreads were tight compared with swaps, and "therefore there are issuers around". Jeremy Colless, head of securities trading at the bank, also attributed the surge in corporate activity to economic conditions.

"If people are reasonably comfortable that interest rates are going to stay low or even fall further, and historically these are very low levels on governments and semi-governments, therefore people are keen to try to pick up a bit of extra in yield and they're looking to extend into the corporate market." Mr Colless said the surge was a sign of a "more mature market".

"There are more sophisticated investors and there's a greater understanding of credit risk and therefore there are people more willing to move out of the traditional government and semi-government markets into the lower-rated corporate bond market."

In some of the biggest recent deals, Australia Post delivered its long awaited fund-raising on the Australian domestic bond market last Wednesday, partly reflecting the strong demand for issues by the Commonwealth Bank of Australia and Sydney Airports.

The AAA rated Australia Post offered A$530m in two tranches, partly reflecting strong institutional interest in its round of roadshows last week.

Although Australia Post is owned by the government, its bonds do not carry an explicit government guarantee.

At the same time, Rabobank of the Netherlands formed a dealer panel for its A$5bn domestic MTN programme and said it expected to launch before July.

Several other AAA rated foreign borrowers have also said they are looking to raise money in Australia, seeking a diversity of funding following the merging of 11 currencies into the euro this year.

CBA's own transaction of 2005 maturing transferable certificates of deposits was priced on Wednesday at the tight end of an expected 38 to 40 basis point yield spread range over government bonds. The issue was increased to A$500m from A$400m due to strong demand.

Meanwhile, the debut last week of Sydney Airports' 2004 A$400m transaction was three times oversubscribed.

German bank chairman resigns

By Uta Harnischfeger in Frankfurt

Klaus Goette, the supervisory board chairman of HypoVereinsbank, Germany's second-largest commercial bank, resigned at the weekend to take responsibility for the bank's controversial involvement in real-estate business.

In October, shortly after the merger between Hypo-Bank and Vereinsbank, HypoVereinsbank set aside a DM3.5bn (€1.79bn, $1.96bn) provision to cover overvalued real-estate investments, mostly in former East Germany.

The provision led prosecutors to investigate former managers at Hypo-Bank, who were believed to have extended property loans without arranging the necessary valuations.

Mr Goette said he had done everything in his power to help bring the bank back into an "urgently required state of normality". He added that "the well-known incidents in October 1998 have severely burdened the merger".

A HypoVereinsbank spokesman said Mr Goette's resignation would pressure other former Bayerische Hypotheken- und Wechsel-bank managers, particularly Eberhard Martini, a member of HypoVereinsbank's supervisory board and formerly the chairman of Hypo-Bank, to take similar steps. "Mr Martini was in charge of the operative business" when the real-estate incidents occurred, the spokesman said.

The real-estate incident has taken the gloss off a merger that was supposed to showcase German banks' ability to become more cost-efficient and profitable.

Since then, prosecutors have repeatedly searched the bank's offices.

Last week they searched the offices and private homes of four former Hypo-Bank board members no longer serving on HypoVereins-bank's board.

Funds prepare bid for NIB

By Gordon Cramb in Amsterdam

The two largest Dutch pension funds will this week prepare their offer for control of the country's National Investment Bank (NIB), amid suspicions that they are under pressure to increase the price from the Fl 3.6bn (€1.63bn, $1.78bn) indicated in December.

The tradable A shares in NIB ended last week at €31, having changed hands all month above the Fl 66 (€29.95) that ABP and PGGM said on Christmas Eve they were prepared to pay.

Their bid was backed by NIB management and by the state, which has 35 per cent of the A shares. But ING, the banking and insurance group which with 20 per cent is the second largest shareholder, has refused to make its position clear.

It is not believed that ING, the largest financial group in the Benelux region, is itself planning a bid. ING is seeking instead to expand in other markets of the euro-zone and in the US.

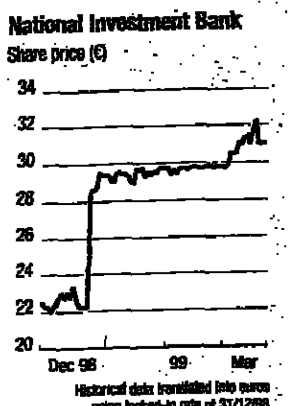
Heinie Hakker, analyst at Metzler Nederland, said: "It may imply that ING wants to see more money."

PGGM confirmed at the weekend that it and ABP had been in discussions with NIB shareholders including ING.

"There are talks, but we are not at this stage willing to discuss the contents," said Alfred Kool, head of public affairs.

National Investment Bank

Share price (€)



Historical data translated into euros using locked-in rate of 31/12/98

Source: Datastream/ICV

Mr Kool said the share price movement did not mean the bidders would need to increase the price, pointing out that only some 6 per cent of the A shares were freely traded. The rest are in the hands of local financial groups, including Fortis and ASR.

NIB this month reported a 19 per cent rise in 1998 net profits to Fl 264m and said that growth should be sustained this year.

Formerly the state vehicle for financing industry, NIB is active in corporate lending, venture capital and home mortgages. ABP and PGGM are due to launch the formal offer by the end of the month.

ITIT in $41m offering

By Avi Machlis in Jerusalem

IT International Theatres, Israel's leading cinema operator, raised $41m on Easdaq, the pan-European stock market for growth companies, at the weekend in an offering that was four times oversubscribed.

The IPO, co-ordinated by Nomura, was the first offering by an Israeli company on Easdaq. Easdaq has been trying to persuade capital-seeking Israeli companies to list on the Brussels-based exchange instead of joining 100 Israeli companies listed in New York, mostly on Nasdaq.

ITIT issued 2.5m shares at $14.25. Including a greenshoe over-allotment option of another 375,000 shares, the offering represented 28 per cent of the company, and valued ITIT at approximately $141m. On the first day of trading last Friday, the shares rose to $14.60.

ITIT, which had net income of Shk22m ($5.5m) on revenues of Shk216m last year, issued the shares to finance its expansion into Poland and the Czech Republic.

South African companies head for the open door

Groups are seeking overseas listings to raise their profile and gain access to hard cash, writes Michelle Joubert

When the international community opened its doors to a reformed South Africa in 1994, few expected its biggest listed companies would use it as an opportunity to leave.

The most recent emigrant was South African Breweries, which shifted its primary listing to London last month. Others hope to follow, including Anglo American, the mining business, Old Mutual, the insurance group, and a variety of smaller businesses.

Some commentators suggest the newcomers are fleeing economic uncertainty. The groups themselves say they want to raise their profiles internationally to improve access to the hard currency needed for global expansion.

First to move its primary listing to London – in July 1997 – was Billiton, the world's second largest commodities group. The group owns aluminium, titanium minerals, steel and coal operations in South Africa and international minerals groups acquired from Royal Dutch/Shell in 1994. It also mines nickel in South America and aluminium in Australia.

Directors said the listing and placing – which raised about £825m ($1.3m) – gave Billiton the resources and flexibility to grow. It also put Billiton, still listed in South Africa, into the FTSE 100.

Another more recent FTSE 100 entrant was South African Breweries, which was admitted to the index shortly after its listing. It is the world's fourth largest brewer and the largest industrial company on the Johannesburg Stock Exchange, with 98 per cent of South Africa's clear beer market.

In the decades when international sanctions prevented groups from expanding abroad, SAB developed a broad local consumer industry arm.

Recently SAB sold much of this and built up its global brewing division, now based in Eastern Europe, China and Africa.

Anglo American, which is due to list in May, is capitalised at about R57.7bn ($9.3bn).

It is best known for its substantial gold and diamond interests, but investments include a wide range of metals and minerals mining operations.

Old Mutual is a 153-year-old financial services group with 3m policy-holders, and has interests in asset management and banking. The group, which will move its head office to London after it demutualises and gains a London listing, is expected to capitalise at more than £3.5bn.

Last year, Old Mutual acquired the UK regional stockbroker Albert E. Sharp and Capel Cure Myers, the UK private client stockbroker. Old Mutual has said it will probably raise cash to pay for acquisitions.

Anglo American and Old Mutual are in the happy position of having won ministry of finance approval to move.

The businesses hoping to shift their primary listings to London or New York, despite opposition from Trevor Manuel, the finance minister, include two information technology groups: Datatec and Dimension Data.

Another, Comparex, plans a secondary listing.

Datatec is a networking technology and services company focusing on the internet. It listed on the Johannesburg Stock Exchange in 1994, and has achieved compound earnings growth of more than 150 per cent.

In 1998 about 80 per cent of sales were generated overseas. Trading on a historic p/e of 60.8, Datatec's market capitalisation is R9.8bn.

Dimension Data (Didata) is a broad-based IT communications company, which was set up in 1983. The group has expanded rapidly into Asia, Australia and the UK.

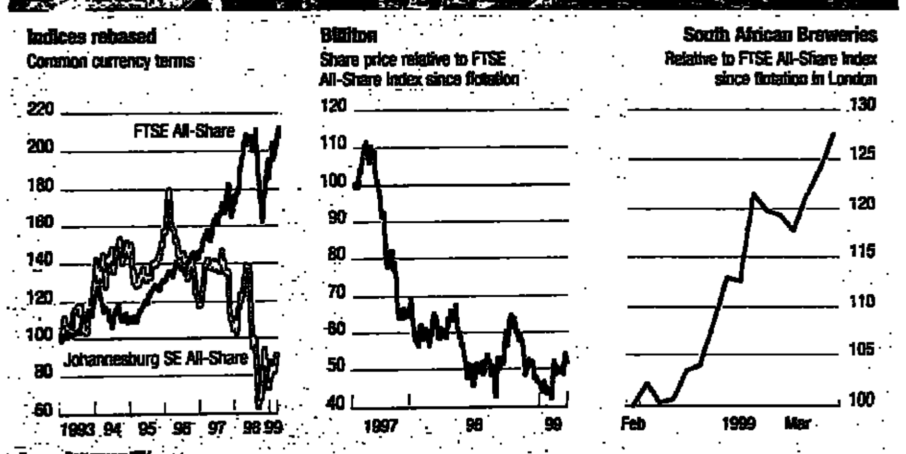
Malcolm Rutherford, finance director, says the next big push will be into Europe.

"In the year to September 30, offshore operations generated 25 per cent of earnings," says Mr Rutherford. "We expect this to grow considerably, through eliminating minorities in overseas subsidiaries and expanding foreign operations." Trading on a historic p/e of 51, Didata is capitalised at R20bn.

Comparex was formed in 1997 through a merger of two IT companies, which created one of South Africa's largest suppliers of software, hardware and services.

Roux Marnitz, chairman, says that more than 80 per cent of the group's earnings come from abroad. Mr Marnitz forecasts 1999 earnings at least 50 per cent ahead of 1998. Trading on a historic p/e of 35, Comparex is capitalised at R18.3bn.

A tale of two cities



Source: Datastream/ICV

Other groups still seek primary listing abroad

By Michelle Joubert in London

Despite an announcement by Trevor Manuel, the South African finance minister, that Old Mutual would be the last local group to shift its primary listing abroad, several others are determined to follow.

"Only dual listings in which the firm retains its primary listing in SA will be considered," said Mr Manuel in January. "Firms will not be allowed to delist from the Johannesburg Stock Exchange to list offshore."

But some local companies, familiar with government policy shifts, interpret this as a warning that permission will be difficult to obtain, not that it will be impossible to persuade Mr Manuel's department.

At least two of these, the networking group Dimension Data and networking technology company Datatec, are currently in negotiations with the finance department.

"Didata has dominant market positions in South Africa, Australia and Asia," says Malcolm Rutherford, finance director. "The next step is to expand in the UK and Europe. A primary listing in London is a logical consequence."

Mr Rutherford says Didata needs a London listing to raise capital for expansion and to attract IT experts through a "globally acceptable" share participation scheme. "SA needs to profile itself as not just an emerging market country," says Mr Rutherford. "We think our listing will make a difference."

Mr Manuel has said that his department will investigate each application, to decide whether groups need to shift their listing. Privately, local analysts question the strategic sense of this approach.

But Jens Montanana, Datatec executive chairman, says discussions with the reserve bank are proceeding smoothly. "They are listening to us; we aren't being fobbed off." He concedes, however, that a decision is unlikely until after local elections in June.

"There is a better-than-even chance that we will list in London late this year," he says. Datatec moved its head office to London three years ago.

"With 85 per cent of turnover generated outside South Africa, we are an international group. Despite the jurisdiction issue, our plans have to continue."

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
United Inc (US)	Multinet Gas (Australia)	Gas	$1.25bn	Victoria sells
Kuoni Reisen (Switz)	First Choice (UK)	Travel	$1.2bn	Merger
Rhodia (France)	Albright & Wilson (US)	Chemicals	$742m	Trumps Albemarle
Deutsche Post (Germany)	Unit of Nedlloyd (N'lands)	Distribution	$584m	Consolidation
Rabobank (Netherlands)	Unit of Tokai Bank (Japan)	Financial srvcs	$410m	Leasing deal
Ardagh (Ireland)	Rockware (US)	Bottling	$391m	Reverse takeover
Schawk (US)	Wace (UK)	Printing srvcs	$167m	Battle escalates
Denso (Japan)	Unit of Magneti M (Italy)	Engineering	$147m	Export move
Mail-Well (US)	Porter Chadburn (UK)	Printing	$76m	Recommended
GKN (UK)/Agusta (Italy)	Merger	Engineering	n/a	Helicopter view

Eurobank offering breaks record

By Kerin Hope in Athens

A record number of Greek investors subscribed to last week's Dr100bn ($340m) public offering by EFG Eurobank, the Greek bank controlled by the London-based Latsis oil and shipping group. Bank officials said subscriptions exceeded Dr4,000bn.

More than 500,000 domestic investors will receive 10 shares each, and the rest of the retail tranche will be allocated by lot.

The public offering amounted to 11.1m shares, with 70 per cent allocated for retail investors and the remainder for Greek and international institutions.

The huge oversubscription reflected strong investor appetite for bank shares as consolidation of the sector picks up speed. Banks have led a 35 per cent price rise this year on the Athens Stock Exchange.

The offering followed a merger with Bank of Athens, a Eurobank subsidiary which is already listed on the bourse. It amounted to 10.6 per cent of the bank's equity after the merger.

Eurobank is the front-runner to buy a majority stake in state-owned Ionian Bank. Bids for 51 per cent of the bank are due on March 26.

On Friday, the bank's shareholders approved a one-for-five rights issue to raise Dr110bn in fresh capital. Most of the proceeds would be used to pay off a loan from Consolidated Eurofinance Holdings, the bank's Swiss-based parent.

EMERGING MARKETS INVESTOR CONFIDENCE IS RETURNING BUT FRAGILITY REMAINS

Brazil still not out of woods

By John Barham in São Paulo

Brazil's stock markets have bounced back from the chaos following January's 40 per cent devaluation of the Real.

So far this month, the São Paulo market's Bovespa index of 56 blue chips has increased by nearly one-fifth in local currency terms.

The index has increased by even more in dollar terms, rising by more than 30 per cent, as the Real has gradually begun recovering.

A fresh agreement with the International Monetary Fund and an astute new central bank president have reversed deeply pessimistic views of Brazil.

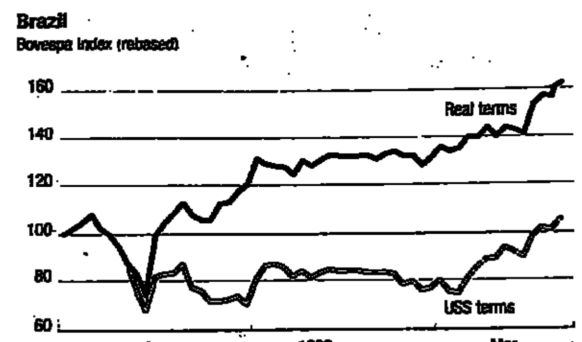
Investors now believe inflation will be lower than once feared and say the risk of a government debt default has receded significantly.

Approval on Thursday of a key tax measure by Congress has further bolstered confidence that Brazil will be able to continue drawing down tranches of a $41.5bn international rescue package put together by the IMF.

Jay Pelosky, global emerging market strategist at Morgan Stanley Dean Witter, the New York investment bank, said: "Some of the big issues that concerned people have been alleviated."

Interest rates are still very high, with the benchmark rate at 45 per cent, but Mr Pelosky expects rates will soon fall. "Once rates come down there is very significant potential for equity markets," he said.

Bulls such as Mr Pelosky argue that companies will benefit as real interest rates tumble to about 14-15 per cent, half in real terms of the rates in effect a year ago when the central bank was trying to shore up the value of the Real.



Source: Datastream/ICV

Rodrigo Fiaes, head of equity research at Rio de Janeiro's Banco Icatu, has noted a significant change in investor attitudes to Brazil.

He said: "Like many brokers, we are having an enormous number of foreign investors visiting us, at least 10 this month. But I still think many of the investors coming [to Brazil] are those with a high appetite for risk."

Brazilian stocks may have risen substantially, but the index still looks cheap. The Bovespa is trading on a prospective 1999 price/earnings ratio of 7.5.

The outlook for earnings is grim, with the economy already sunk in a deep recession, but investors are not focusing on profits.

Instead, Mr Pelosky says Brazil "offers a great degree of value. Risks are receding. The market is repricing itself."

Many markets around the world have also rebounded on growing confidence in the country, as investors buy stocks in multinationals with significant business in Brazil.

Last Monday shares in Bekaert, the Belgian steel cord and wire producer, jumped by nearly four per cent on the Brussels bourse because of the improving outlook for Brazil.

Brazilian brokers have now begun issuing "sell" recommendations on some companies.

Brahma, Brazil's biggest brewery, is beginning to look expensive, particularly as profits may suffer this year. Telesp Celular, the mobile phone operator serving São Paulo, is approaching fair value.

Brazil is not out of the woods yet. The government's deficit-ridden accounts, the mainspring of the country's economic crisis, are still fragile.

Investors will bolt in reaction to any perceived slippage in meeting IMF performance targets.

Concern is also growing that the government may not be able to keep to its privatisation time-table, depriving the Treasury of privatisation receipts and undermining international confidence in the economy.

The sale of a government stake in Petrobras, the national oil company, and privatisation of the generating assets of Eletrobras, the electricity holding company, are particularly at risk.

Both of these large, complex companies are listed on the São Paulo market and account for a big chunk of daily turnover.

São Paulo is as vulnerable to market manipulation and insider trading as ever. This was made clear by the more than 2,000 per cent increase in the share price of Lightpar, a shell company owned by Eletrobras.

Lightpar has remained in the index, even though last year's privatisation of Eletrobras distribution companies stripped it of most of its assets.

The authorities suspended trading in Lightpar while possible insider trading was investigated.

Eletrobras told the market it planned to invest US$472m in Lightpar in the next three years to turn it into a data transmission company with forecast annual revenues of $300m.

Regulators also suspect that some form of market manipulation or use of insider knowledge is behind a rise of 162 per cent in a few days in the share price of Mesbla, a troubled retail chain, which is now believed to be on the verge of sale to an international company.

Brazil may be making a painful recovery, but playing the São Paulo stock market will always require nerves of steel.

Liffe to issue findings on trade scandal

By Arkady Ostrovsky and Bertrand Benoit

The London International Financial Futures and Options Exchange is set to expose one of the largest trading scandals in its history when it announces in the next few weeks the results of its three-year investigation into a form of market rigging by five London-based traders.

Liffe's disciplinary panel is understood to have found five former employees of Refco Overseas, the London arm of the troubled US futures broker, guilty of violating Liffe's trading rules that ban "front running". The investigation is another serious blow for Refco, which has previously fallen foul of US regulators.

The team of five traders was headed by Paul Hunt and included Malcolm Duke, Nick English, Mark Wilkinson and Greg Bryce. All face fines from Liffe if formally found guilty. Mr Duke and Mr English could also be banned for life from trading on Liffe, in addition to paying fines of up to £100,000 ($163,000) each. Mr Hunt, Mr English and Mr Wilkinson resigned from Refco earlier this month. Refco could not be reached for comment.

A spokesman for Liffe said the procedure could be delayed for up to 12 months, if the traders decided to appeal. "There has never been a case like this before, but if anything it confirms London's reputation as one of the best regulated financial markets," he said.

Under front-running, a trader takes an order from a client that is large enough to move the market, while also dealing in the same market on the trader's own account before processing the client's order.

The irregularities were discovered partly after examination of telephone calls, which had been recorded.

The Securities and Futures Authority, the UK financial regulator that issues licences to brokers such as Refco, declined to comment on the inquiry. The SFA has the power to de-register and fine individual dealers and their companies in addition to disciplinary action taken by the exchanges.

Liffe incurred a heavy loss last year – its first loss since 1985 – as trade volumes migrated to Eurex, its Frankfurt rival.

It also lost one of its most lucrative contracts, the future on the 10-year German government bond, the benchmark for the euro-zone.

London, Frankfurt plan joint clearing

By Vincent Boland

Users of the London and Frankfurt stock markets will be able to clear trades in each other's stocks later this year, under plans to develop a common clearing and settlement system for their proposed pan-European stock market.

The move means UK investors can clear their trades in German stocks through Crest, the settlement system used by the London stock exchange, and German investors will be able to clear trading in UK stocks through Deutsche Börse Clearing, Crest's counterpart in Frankfurt.

The joint settlement link is a key part of developing a common clearing and settlement system for the pan-European market, which aims to trade the shares of Europe's top 300 companies. The London stock exchange said the agreement between Crest and Deutsche Börse Clearing "shows the alliance is moving ahead".

CrestCo said "a number of models" for the proposed clearing and settlement system were being studied with Deutsche Börse Clearing, with a view to bringing forward a definitive settlement system as soon as possible.

This is likely to be in the third quarter of this year, when the London and Frankfurt exchanges are due to unveil more details of how the proposed pan-European market will work. These include harmonisation of rules governing listing and trading of shares.

Crest and the Swiss stock exchange announced a similar link-up late last year which is to come into effect in July. Such cross-border clearing and settlement agreements are part of a wider plan by the European Central Depositories Association to streamline pan-European settlement and cut costs for investors.

Paul Symons, Crest's spokesman, said the link with Deutsche Börse Clearing was built on the Crest/Swiss model.

Trading revenues boost Lehman

By Richard Waters in New York

The return of stability to the financial markets produced a bounce in the latest quarterly earnings at Lehman Brothers, though its profit recovery still lagged behind strong earnings turned in last week by Goldman Sachs.

Thanks mainly to a jump in trading revenues, the US investment bank recorded a return on equity of 17.2 per cent in the three months to the end of February – up from the meagre 5.6 per cent of the previous three months, when financial markets around the world were in the grip of a crisis.

Although in line with its target of an average 17 per cent return in both good and bad times, the results were well below the record 30 per cent return seen in the second quarter of last year.

Revenues climbed to $1.118bn from the depressed $665m of the preceding period, putting them 7 per cent ahead of the first quarter of 1998. Much of that came from a 24 per cent increase to $526m in income from principal transactions.

Investment banking revenues, on the other hand, fell 8 per cent to $321m, though Lehman attributed the fall to a decline in profits from merchant banking transactions, rather than in merger and acquisition or underwriting activity.

Overall, the bank reported net income attributable to its common stockholders of $198m, a rise of 10 per cent from a year before, while earnings per share rose from $1.44 to $1.57.

Ducati Motor prices IPO

Italian motor-cycling powerhouse Ducati Motor Holding yesterday announced an Italian offer price of €2.9 per share for its initial public offering on March 22 and 23, Reuters reports from Milan.

Ducati said its employees would be able to subscribe for a maximum of three lots each of a minimum of 1,000 shares at a price of €2.465 per share, equivalent to a discount of 15 per cent on the public offer price.

Ducati's sponsor for the issue will be Banca Commerciale Italiana.

The Bologna-based maker of high performance luxury bikes said the public offering will be for a minimum of 20.5m shares with a nominal value of L1,000, equivalent to 13.6 per cent of the total capital.

Exchanges look to their electronic futures

The industry's annual conference in Boca Raton has seen frenetic debate on new technology, says Nikki Tait

Balmy breezes did nothing to cool the temperature of debate as the futures industry gathered for its annual conference in Florida's Boca Raton last week.

Over the past two years, electronic trading and order-routing systems have become an integral part of the landscape. Some exchanges – such as the London International Financial Futures and Options Exchange (Liffe) and Sydney Futures Exchange (SFE) – have already decided to abandon traditional trading floors for screen-based systems. Others, notably the big Chicago exchanges, plan to run electronic trading alongside traditional "open-outcry" pits in major contracts.

However, if the encroachment of electronic trading is now accepted, how best to capitalise on the new technology remains the subject of frenetic discussion.

For existing exchanges, the big challenge is to achieve the cost-savings that traders and customers are demanding – in the hope that this will keep a slew of new competitors at bay.

Having seen numerous merger and alliance proposals fall by the wayside, officials have grown wary of promising synergistic deals.

"On my desk are eight ink bottles from the letters of intent that we have signed," admitted Jorg Franke, chairman of Eurex, the biggest European exchange. Only two, he noted, had come to fruition, the most recent casualty being an alliance with the Chicago Board of Trade (CBOT).

But if full-scale mergers are off the agenda, talk of more flexible technology-based collaboration remains rife. For example, the big Chicago exchanges confirmed that they were discussing a common "application programming interface" (API). This is a software code that would allow the exchanges' electronic systems to mesh, so customers could readily access respective products from a single screen.

Likewise, the New York Mercantile Exchange revealed it had been talking to Eurex, initially about development of a German-based electricity market. But Daniel Rappaport, Nymex chairman, also held out the possibility of extending co-operation more widely – for example, to co-distribution of products.

Eurex, meanwhile, said it was reviewing its options regarding partnerships in the US and Asia.

Nor, most participants admit, have collaborative technical discussions been confined to traditional exchange partners. A number of US software houses are understood to made presentations at the Chicago exchanges, for example.

"I think we envision multiple alliances at different levels," remarked Scott Gordon, chairman of the Chicago Mercantile Exchange, which already shares an electronic platform with France's Matif and Singapore's Simex. It was a comment that neatly summed up the attitude of many senior exchange officials.

This pressure is not confined to the execution end of the business. Clearing firms, too, are looking at ways of consolidating operations and giving international trading houses the savings they desire. The London Clearing House, for example, said it was having "active discussions" on partnership arrangements with both existing clearing businesses and some would-be participants in the industry.

However, if technology is presenting huge challenges for exchanges, it is hardly making life easy for regulators, either. They are still trying to craft national rules in a trading environment that is increasingly global.

This point was rammed home after the US-based Commodity Futures Trading Commission released draft regulations governing the access that foreign electronic exchange systems could have to US customers – only to face outraged reaction from trading houses and some non-US exchanges.

The problem centres mainly on how electronic order-routing systems should be controlled, with the big futures firms accusing the CFTC of being heavy-handed and of over-regulation. But resolving this issue could mean a 30-day comment period gets extended and the already delayed rules take months to finalise.

That, argues Brian Williamson, Liffe's chairman, could mean it will be next year before his exchange can offer US customers direct access to the new electronic trading platform. Such a timetable, he thundered, would be "blatantly discriminatory".

While Mr Williamson declined to estimate how much business might be sacrificed, others were quick to point out the value of US access. Les Hosking, head of the SFE, reckons 25 per cent of his exchange's business already comes from the US. That could "easily double" once SFE's electronic system is directly available to US-based customers, he suggested.

Meanwhile, the industry's potential competition was all too visible. Officials from the planned International Securities Exchange, a proposed electronic options exchange, were to be found quietly networking, for example.

More formally, the Cantor Financial Futures Exchange, the first electronic newcomer, which started to operate last year, rolled out a fully interactive version of its trading system. This will be formally launched early next month.

"The clock is ticking and things are moving very fast," said Marc Breillout, chairman of Fimat, the large futures firm. Few attenders in Boca would have disagreed.

LCH expects go-ahead for swaps clearing

The London Clearing House is expected to get this week the exemption from US regulators that would allow it to launch the world's first swaps clearing operation this summer, **writes Nikki Tait in Boca Raton.**

Swaps are one-to-one risk management agreements, usually negotiated between sophisticated financial market participants, such as large investment banks.

Officials from the LCH, in Florida for the futures industry's annual conference, said they believed they were "very close" to receiving the required ruling from the Commodity Futures Trading Commission, the US futures industry regulator – and that it could possibly come as early as today.

The LCH detailed its plans for the "SwapsClear" programme last year. The scheme, which will initially clear interest rate swaps of up to 10-year maturities for the banks that deal in them, follows substantial growth in the over-the-counter derivatives industry during the past decade, coupled with the growing standardisation of many swap agreements.

However, the LCH's desire to market to US banks and institutions meant it became caught in a Washington turf-war over regulation of the US derivatives industry.

The LCH asked the Commodity Futures Exchange Commission for exemption from the US Commodity Exchange Act but some participants in the swaps industry, who dispute that the CFTC has jurisdiction over the over-the-counter market, maintained that even granting an exemption would mean the agency was exceeding its powers.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 19, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7699.77	4726.25	5163.66	4035.22
Albania	(Lek)	230.038	141.200	154.268	120.556
Algeria	(Dinar)	106.369	65.2905	71.3338	55.7443
Andorra	(French Fr)	9.7813	6.0039	6.5596	5.1261
	(Sp Peseta)	248.106	152.292	166.386	130.025
Angola	(Readj Kwanza)	418900.1	257128.0	280925.2	219533.0
Antigua	(E Carib $)	4.3987	2.7000	2.9499	2.3052
Argentina	(Peso)	1.6285	0.9996	1.0922	0.8534
Armenia	(Dram)	828.857o	508.380	556.523	434.903
Aruba	(Florin)	2.8999	1.7800	1.9447	1.5198
Australia	(Aus $)	2.5841	1.5862	1.7330	1.3543
Austria	(Schilling)	20.5186	12.5947	13.7603	10.7532
Azerbaijan	(Manat)	6435.14o	3950.00	4315.57	3372.47
Azores	(Port Escudo)	298.948	183.499	200.482	156.870
Bahamas	(Bahama $)	1.6292	1	1.0926	0.8538
Bahrain	(Dinar)	0.6142	0.3770	0.4119	0.3219
Balearic Is	(Sp Peseta)	248.106	152.292	166.386	130.025
Bangladesh	(Taka)	78.9731	48.4750	52.9614	41.3874
Barbados	(Barb $)	3.2583	2.0000	2.1851	1.7076
Belarus	(Rouble)	358413.0o	220000.0	240361.0	187833.5
Belgium	(Belg Fr)	60.1527	36.9228	40.3399	31.5242
Belize	(B $)	3.2583	2.0000	2.1851	1.7076
Benin	(CFA Fr)	978.130	600.390	655.957	512.606
Bermuda	(Bermudian $)	1.6292	1	1.0926	0.8538
Bhutan	(Ngultrum)	69.0841	42.4050	46.3296	36.2049
Bolivia	(Boliviano)	9.2536	5.6800	6.2057	4.8495
Bosnia Herzegovina	(Marka)	2.9142	1.7888	1.9544	1.5273
Botswana	(Pula)	7.6023	4.6664	5.0982	3.9841
Brazil	(Real)	3.0140r	1.8500	2.0212	1.5795
Brunei	(Brunei $)	2.8087	1.7240	1.8836	1.4719
Bulgaria	(Lev)	2901.92	1781.25	1946.10	1520.81
Burkina Faso	(CFA Fr)	978.130	600.390	655.957	512.606
Burma	(Kyat)	10.1850	6.2517	6.8303	5.3376
Burundi	(Burundi Fr)	859.696	527.692	576.534	450.538
Cambodia	(Riel)	6166.33	3785.00	4135.30	3231.59
Cameroon	(CFA Fr)	978.130	600.390	655.957	512.606
Canada	(Canadian $)	2.4716	1.5171	1.6575	1.2953
Canary Is	(Sp Peseta)	248.106	152.292	166.386	130.025
Cp. Verde	(CV Escudo)	154.297	94.7100	103.475	80.8623
Cayman Is	(CI $)	1.3576	0.8333	0.9104	0.7115
Cent. Afr Rep	(CFA Fr)	978.130	600.390	655.957	512.606
Chad	(CFA Fr)	978.130	600.390	655.957	512.606
Chile	(Chilean Peso)	797.876	489.750	535.076	418.143
China	(Renminbi)	13.4882	8.2793	9.0456	7.0688
Colombia	(Col Peso)	2520.70	1547.25	1690.45	1321.02
Comoros	(Fr)	801.490	491.968	537.500	420.037
Congo	(CFA Fr)	978.130	600.390	655.957	512.606
Congo (DemRep)	(Zaire)	224008.1	137500.0	150225.6	117395.9
Costa Rica	(Colon)	447.365	274.600	300.014	234.450
Côte d'Ivoire	(CFA Fr)	978.130	600.390	655.957	512.606
Croatia	(Kuna)	11.3535	6.9690	7.6140	5.9500
Cuba	(Cuban Peso)	37.4705	23.0000	25.1287	19.6371
Cyprus	(Cyprus £)	0.8645	0.5307	0.5798	0.4531
Czech Rep.	(Koruna)	56.7099	34.8095	38.0312	29.7200
Denmark	(Danish Krone)	11.0823	6.8025	7.4321	5.8079
Djibouti Rep	(Djib Fr)	289.533	177.720	194.166	151.735
Dominica	(E Carib $)	4.3987	2.7000	2.9499	2.3052
Dominican Rep	(D Peso)	25.9850	15.9500	17.4262	13.6179
Ecuador	(Sucre)	17757.9o	10900.0	11908.8	9306.30
	(Sucre)	19712.7a	12100.0	13219.9	10330.8
Egypt	(Egyptian £)	5.5562	3.4105	3.7262	2.9118
El Salvador	(Colon)	14.2551	8.7500	9.5598	7.4707
Equat'l Guinea	(CFA Fr)	978.130	600.390	655.957	512.606
Estonia	(Kroon)	23.3314	14.3212	15.6467	12.2273
Ethiopia	(Ethiopian Birr)	11.3845	6.9880	7.6347	5.9663
Falkland Is	(Falk £)	1	0.6138	0.6707	0.5241
Faroe Is	(Danish Krone)	11.0823	6.8025	7.4321	5.8079
Fiji Is	(Fiji $)	3.2305	1.9830	2.1665	1.6930
Finland	(Markka)	8.8660	5.4421	5.9457	4.6464
France	(Fr)	9.7813	6.0039	6.5596	5.1261
Fr. Cty/Africa	(CFA Fr)	978.130	600.390	655.957	512.606
Fr. Guiana	(Local Fr)	9.7813	6.0039	6.5596	5.1261
Fr. Pacific Is	(CFP Fr)	177.711	109.082	119.178	93.1330
Gabon	(CFA Fr)	978.130	600.390	655.957	512.606
Gambia	(Dalasi)	18.2954	11.2300	12.2694	9.5880
Germany	(D-Mark)	2.9165	1.7902	1.9558	1.5284
Ghana	(Cedi)	3918.11	2405.00	2627.59	2053.36
Gibraltar	(Gib £)	1	0.6138	0.6707	0.5241
Greece	(Drachma)	479.253	294.235	321.467	251.215
Greenland	(Danish Krone)	11.0823	6.8025	7.4321	5.8079
Grenada	(E Carib $)	4.3987	2.7000	2.9499	2.3052
Guadeloupe	(French Fr)	9.7813	6.0039	6.5596	5.1261
Guam	(US $)	1.6292	1	1.0926	0.8538
Guatemala	(Quetzal)	11.2298	6.8924	7.5303	5.8847
Guinea	(Fr)	2134.43	1310.15	1431.41	1118.59
Guinea-Bissau	(CFA Fr)	978.130	600.390	655.957	512.606
Guyana	(Guyanese $)	263.108	161.500	176.447	137.887
Haiti	(Gourde)	27.4512	16.8500	18.4095	14.3863
Honduras	(Lempira)	22.8814	14.0450	15.3449	11.9915
Hong Kong	(HK $)	12.6258	7.7500	8.4672	6.6168
Hungary	(Forint)	378.370	232.250	253.745	198.292
Iceland	(Icelandic Krona)	116.859	71.7300	78.3687	61.2423
India	(Indian Rupee)	69.0841	42.4050	46.3296	36.2049
Indonesia	(Rupiah)	14466.9	8880.00	9701.85	7581.64
Iran	(Rial)	4887.45u	3000.00	3277.65	2561.37
Iraq	(Iraqi Dinar)(1)	0.5065r	0.3109	0.3397	0.2655
Irish Rep	(Punt)	1.1744	0.7209	0.7876	0.6155
Israel	(Shekel)	6.5556	4.0239	4.3963	3.4356
Italy	(Lira)	2887.26	1772.25	1936.27	1513.13
Jamaica	(Jamaican $)	59.8713	36.7500	40.1512	31.3767
Japan	(Yen)	190.814	117.125	127.965	100
Jordan	(Jordanian Dinar)	1.1591	0.7115	0.7774	0.6075
Kazakhstan	(Tenge)	142.836	87.6750	95.7894	74.8559
Kenya	(Kenya Shilling)	104.551	64.1750	70.1144	54.7919
Kiribati	(Australian $)	2.5841	1.5862	1.7330	1.3543
Korea North	(Won)	3.5841	2.2000	2.4036	1.8783
Korea South	(Won)	1988.39	1220.50	1333.46	1042.05
Kuwait	(Kuwaiti Dinar)	0.4959	0.3044	0.3326	0.2599
Laos	(New Kip)	6962.99	4274.00	4669.56	3649.09
Latvia	(Lats)	0.9592	0.5888	0.6433	0.5027
Lebanon	(Lebanese £)	2462.46	1511.50	1651.39	1290.50
Lesotho	(Maluti)	10.0894	6.1930	6.7662	5.2875
Liberia	(Liberian $)	1.6292	1	1.0926	0.8538
Libya	(Libyan Dinar)	0.7331	0.4500	0.4916	0.3842
Liechtenstein	(Swiss Fr)	2.3821	1.4622	1.5975	1.2484
Lithuania	(Litas)	6.5158	3.9995	4.3697	3.4147
Luxembourg	(Lux Fr)	60.1527	36.9228	40.3399	31.5242
Macao	(Pataca)	12.9387	7.9420	8.6770	6.7808
Macedonia	(Denar)	90.6647	55.6515	60.8020	47.5146
Madagascar	(MG Fr)	8504.16	5220.00	5703.11	4456.78
Madeira	(Port Escudo)	298.948	183.499	200.482	156.870
Malawi	(Kwacha)	71.9435	44.1600	48.2472	37.7033
Malaysia	(Ringgit)	6.1908o	3.8000	4.1517	3.2444
	(Ringgit) (3)	8.8463	5.4300	5.9326	4.6361
Maldive Is	(Rufiya)	18.8982	11.6000	12.6736	9.9040
Mali Rep	(CFA Fr)	978.130	600.390	655.957	512.606
Malta	(Maltese Lira)	0.6416	0.3938	0.4302	0.3362
Martinique	(Local Fr)	9.7813	6.0039	6.5596	5.1261
Mauritania	(Ouguiya)	339.841	208.600	227.906	178.100
Mauritius	(Maur Rupee)	40.6718	24.9650	27.2756	21.3148
Mexico	(Mexican Peso)	15.7571	9.6720	10.5672	8.2578
Moldova	(Leu)	14.8090	9.0900	9.9313	7.7609
Monaco	(French Fr)	9.7813	6.0039	6.5596	5.1261
Mongolia	(Tugrik)	1469.49	902.000	985.480	770.117
Montserrat	(E Carib $)	4.3987	2.7000	2.9499	2.3052
Morocco	(Dirham)	15.7455	9.6648	10.5593	8.2517
Mozambique	(Metical)	20253.6	12432.0	13582.6	10614.3
Namibia	(Dollar)	10.0894	6.1930	6.7662	5.2875
Nauru Is	(Australian $)	2.5841	1.5862	1.7330	1.3543
Nepal	(Nepalese Rupee)	109.837	67.4200	73.6597	57.5624
Netherlands	(Guilder)	3.2861	2.0171	2.2037	1.7221
N'nd Antilles	(A/Guilder)	2.8999	1.7800	1.9447	1.5198
New Zealand	(NZ $)	3.0699	1.8843	2.0587	1.6088
Nicaragua	(Gold Cordoba)	18.6359	11.4390	12.4977	9.7665
Niger Rep	(CFA Fr)	978.130	600.390	655.957	512.606
Nigeria	(Naira)	144.400m	88.6350	96.8383	75.6756
Norway	(Nor Krone)	12.5761	7.7194	8.4339	6.5907
Oman	(Rial Omani)	0.6272	0.3850	0.4206	0.3287
Pakistan	(Pak. Rupee)	80.1917	49.2230	53.7786	42.0260
Panama	(Balboa)	1.6292	1	1.0926	0.8538
Papua New Guinea	(Kina)	3.8334	2.3531	2.5708	2.0090
Paraguay	(Guarani)	4757.12	2920.00	3190.25	2493.06
Peru	(New Sol)	5.4487	3.3446	3.6541	2.8555
Philippines	(Peso)	63.2274	38.8100	42.4019	33.1355
Pitcairn Is	(£ Sterling)	1	0.6138	0.6707	0.5241
	(NZ $)	3.0699	1.8843	2.0587	1.6088
Poland	(Zloty)	6.2439	3.8940	4.2544	3.3247
Portugal	(Escudo)	298.948	183.499	200.482	156.870
Puerto Rico	(US $)	1.6292	1	1.0926	0.8538
Qatar	(Riyal)	5.9310	3.6405	3.9775	3.1082
Reunion Is. de la	(F Fr)	9.7813	6.0039	6.5596	5.1261
Romania	(Leu)	24274.5	14900.0	16279.1	12721.5
Russia	(Rouble)	39.3025m	24.1245	26.3573	20.5972
Rwanda	(Fr)	532.993	327.160	357.439	279.326
St Christopher	(E Carib $)	4.3987	2.7000	2.9499	2.3052
St Helena	(£)	1	0.6138	0.6707	0.5241
St Lucia	(E Carib $)	4.3987	2.7000	2.9499	2.3052
St Pierre & Miquelon	(F Fr)	9.7813	6.0039	6.5596	5.1261
St Vincent	(E Carib $)	4.3987	2.7000	2.9499	2.3052
San Marino	(Italian Lira)	2887.26	1772.25	1936.27	1513.13
Sao Tome	(Dobra)	3893.67	2390.00	2611.19	2040.58
Saudi Arabia	(Riyal)	6.1098	3.7503	4.0974	3.2020
Senegal	(CFA Fr)	978.130	600.390	655.957	512.606
Seychelles	(Rupee)	8.6182	5.2900	5.7796	4.5166
Sierra Leone	(Leone)	2550.84	1565.75	1710.66	1336.82
Singapore	($)	2.8087	1.7240	1.8836	1.4719
Slovakia	(Koruna)	66.5761	40.8655	44.6476	34.8905
Slovenia	(Tolar)	284.050	174.355	190.492	148.862
Solomon Is	($)	7.8525	4.8200	5.2660	4.1153
Somali Rep	(Shilling)	4288.37	2620.00	2862.48	2236.93
South Africa	(Rand)	10.0894	6.1930	6.7662	5.2875
Spain	(Peseta)	248.106	152.292	166.386	130.025
Spanish Ports in N Africa	(Sp Peseta)	248.106	152.292	166.386	130.025
Sri Lanka	(Rupee)	113.039	69.3850	75.8066	59.2401
Sudan Rep	(Dinar)	319.313	196.000	214.140	167.343
Surinam	(Guilder)	653.289	401.000	438.173	342.389
Swaziland	(Lilangeni)	10.0894	6.1930	6.7662	5.2875
Sweden	(Krona)	13.3183	8.1750	8.9316	6.9797
Switzerland	(Fr)	2.3821	1.4622	1.5975	1.2484
Syria	(£)	73.3118	45.0000	49.1648	38.4205
Taiwan	($)	53.9249	33.1000	36.1634	28.2604
Tanzania	(Shilling)	1124.12	690.000	753.861	589.114
Thailand	(Baht)	61.0117	37.4500	40.9160	31.9744
Togo Rep	(CFA Fr)	978.130	600.390	655.957	512.606
Tonga Is	(Pa'anga)	2.5841	1.5862	1.7330	1.3543
Trinidad/Tobago	($)	10.1358	6.2215	6.7973	5.3119
Tunisia	(Dinar)	1.8933	1.1621	1.2697	0.9922
Turkey	(Lira)	595535.9	365550.0	399381.7	312102.5
Turks & Caicos	(US $)	1.6292	1	1.0926	0.8538
Tuvalu	(Australian $)	2.5841	1.5862	1.7330	1.3543
Uganda	(New Shilling)	2251.49	1382.00	1509.91	1179.94
Ukraine	(Hryvnia)	6.4922	3.9850	4.3538	3.4023
U A E	(Dirham)	5.9836	3.6730	4.0129	3.1359
United Kingdom	(£)	1	0.6138	0.6707	0.5241
United States	(US $)	1.6292	1	1.0926	0.8538
Uruguay	(Peso Uruguayo)	18.0592	11.0850	12.1110	9.4642
Uzbekistan	(Sum)	948.980	582.500	636.410	497.332
Vanuatu	(Vatu)	211.545	129.850	141.868	110.865
Vatican	(Lira)	2887.26	1772.25	1936.27	1513.13
Venezuela	(Bolivar)	945.315r	580.250	633.952	495.411
Vietnam	(Dong)	22649.3	13902.5	15189.2	11869.8
Virgin Is-British	(US $)	1.6292	1	1.0926	0.8538
Virgin Is-US	(US $)	1.6292	1	1.0926	0.8538
Western Samoa	(Tala)	4.8660	2.9868	3.2632	2.5501
Yemen (Rep of)	(Rial) (2)	230.264	141.340	154.421	120.675
Yugoslavia	(New Dinar)	17.4482	10.7100	11.7012	9.1441
Zambia	(Kwacha)	3714.48	2280.00	2491.03	1946.64
Zimbabwe	($)	62.1577	38.1350	41.6644	32.5592
Euro	(Euro)	1.4912	0.9153	1	0.7815
SDR	(SDR)	1.18767	0.729751	0.803600	0.614942

Abbreviations: (o) Free rate. (m) Market rate. (o) Official rate. (p) Principal rate (t) Tourist rate (u) Currency fixed against the US Dollar (r) Floating rate (1) Iraqi market rate replaced by Principal Rate (2) Yemeni Official rate replaces Parallel rate (3) Ringgit exchange rate for valuation of capital assets. FT enquiries to Business Research Centre 0171 873 0100. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0906 8437001. Calls are charged at 60p per minute at all times. Friday, March 19, 1999

MARKETS WEEK

March 22 - March 28

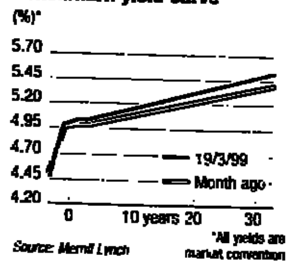
NEW YORK

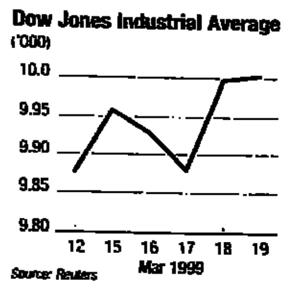
By Andrew Edgecliffe-Johnson

In a thin week for announcements, the Opec meeting and non-farm payroll figures, due on April 2, may dominate the US market's attention more than the week's economic and corporate news.

The data expected this week are unlikely to upset the robust picture of the US economy. On Wednesday, durable goods orders for February should show only a modest fall after three months of strong gains. Total durable orders are forecast to be down 1.5-2 per cent because of a drop in commercial aircraft orders, which had risen by just over 100 per cent in January.

Existing home sales data, due Thursday, should show resales slipped from a record 5.07m units to about 5m in February as mortgage rates rose. Some analysts say last month marked a turning point for home sales, which have been driven higher by the strong job market, and low mortgage rates.





Hopes that the Dow Jones Industrial Average would close above 10,000 for the first time were derailed last week by selling of IBM's shares, and a batch of earnings announcements from 3Com, Micron Electronics and Cabletron could dictate sentiment for other technology stocks.

LONDON

By Philip Coggan

Inflation figures are likely to be the most important domestic economic indicator to be released this week, provided UK investors can tear their eyes away from the gyrations of Wall Street for long enough to notice.

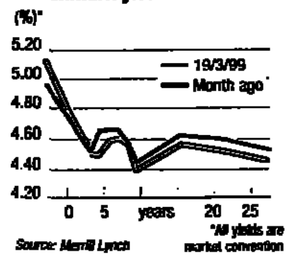
Consumer price numbers for February are expected to show that the underlying rate is back in line with the government's target of 2.5 per cent, having been at 2.6 per cent in January.

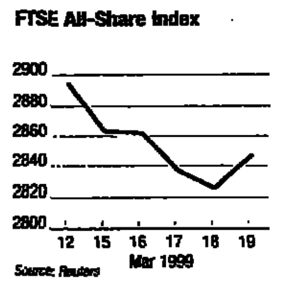
The headline rate, which includes mortgage interest payments, is expected to fall to 2.2 per cent, according to the consensus forecast compiled by Standard & Poor's MMS.

Those numbers should give the Bank of England some comfort and the minutes of the Monetary Policy Committee's last meeting, published last week, indicated that the most likely direction of interest rates is still down.

However, the committee has paid a lot of attention to survey data and its members will no doubt be watching the Confederation of British Industry monthly trends report, to be released on Thursday.

On the results front, the main interest of the week is likely to come from P&O, retailer Next and engineering group Glynwed.





FRANKFURT

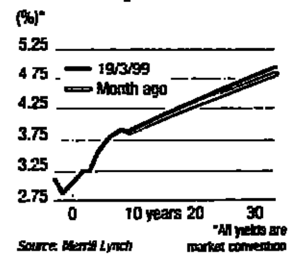
By Uta Harnischfeger

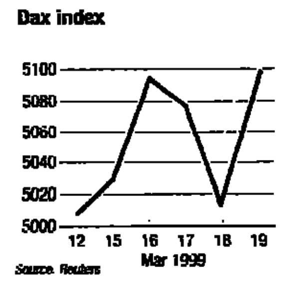
After performing modestly well last week, the Dax index of Germany's top 30 blue chips could be ready for some more gains this week.

On Friday, the Xetra Dax rose 82.96 points or 1.6 per cent to close at 5,108.75 points but it was mainly expirations of futures and options contracts and strong gains on Wall Street that boosted the index.

Therefore, some traders are not so optimistic for this week and note that last week's German business sentiment index for February, which fell to 89.8 from 91.1 in January, does not bode well for the economy. As a result, they recommend staying out of the market unless the Xetra Dax falls below 5,000.

On the positive side, some analysts point to the recent underperformance of German stocks compared with their European counterparts, and say the Dax could easily pass 5,200 soon.





Ongoing merger mania continued to boost banking stocks last week and this week could be dominated by earnings news. Today, Commerzbank will hold a supervisory board meeting, and machinery maker Linde and Volkswagen unit Audi will publish their results on Tuesday.

TOKYO

By Gillian Tett

The Tokyo stock market will be in the political spotlight this week in the run-up to the end of the financial year on March 31. This date is very important for the equity markets, because Japanese companies set the value of their equity portfolios on this date – and any losses or gains they have recorded over the financial year.

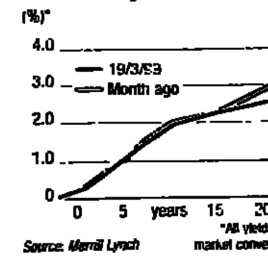
Consequently, in recent years the government has often tried to boost the markets in this period, either by talking them up or using public funds to buy shares.

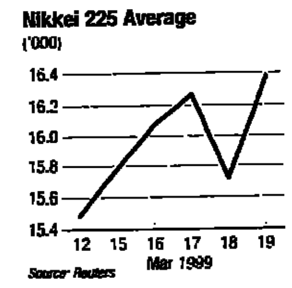
The government insists it will not use public money to buy shares this year but in coming days officials are likely to use plenty of "verbal" intervention to persuade investors the economy is on the mend.

These comments have already spurred a wave of buying by foreign fund managers. Though domestic investors have been heavy sellers in recent days, foreign enthusiasm pushed the Nikkei up to 16,378.78 on Friday, its highest level for seven months.

However, if foreign selling dries up this week, the markets could soon tumble again.

They will be closed today for a public holiday.





COMPANIES DIARY

EDITED BY MARTIN BRICE

Spotlight on engineering and retail sectors

Fear of recession in the UK economy has meant that stocks with strong earnings growth have enjoyed a good run, while companies in cyclical industries have seen their share price suffer. The evidence seems to indicate that the UK economy will enjoy a soft landing, and economists at Credit Suisse First Boston recently upgraded their forecast for growth in the UK market from zero to 3 per cent. However, this "top down" view contrasts with "bottom up" consensus estimates from analysts that follow individual companies, who are forecasting near double-digit growth for the market.

TODAY

● Final figures from **Morgan Crucible** will provide the details behind the severe downturn in the last quarter that prompted the profit warning in January. While management has suggested that problems are largely one-offs, Williams de Broë has told clients that the difficulties are appearing just as markets are deteriorating. The first half of this year is likely to be disappointing so there will be more than the usual interest in any outlook statement. A consensus of forecasts from First Call, the estimates service, shows that analysts expect a pre-tax result of £89.3m ($145.6m), down from £108.3m last year.

● **Forth Ports** is expected to produce a 14 per cent rise to £27.5m pre-tax for last year, although investor interest is likely to focus on any detailed information on volumes and margins at its ports operations in the light of a slowdown in the UK economy.

TUESDAY

● Final figures from **Croda International** are likely to highlight the difficult times in the chemicals industry, with any trading update set to include a deterioration in trading during the final quarter. Analysts expect a fall from the £41.1m last year to about £33m, although the trading statement made after the end of the year suggests there may be little share price reaction, as much of the bad news may be already in the price.

● Some analysts expect **P&O** to increase its dividend this year, for the first time since 1990. The cruise division will probably be the star performer when the shipping and transport group reports final figures. Although it took delivery of two ships during the year, their full contribution will not be evident until this year's results. A consensus of forecasts from I/B/E/S, the estimates service, gives a figure of £405m, which would be a 1 per cent rise. The cruising side is likely to produce £220m in operating profits, and there may be a bullish statement on prospects for a recovery in container shipping.

WEDNESDAY

● The process of disposals at **Glynwed** has left just the metals processing business and there may be news on this front, although few expect an announcement of a sale with the final figures. However, management may give a clear idea of the timing of the sale and there might be a hint of a return of capital to shareholders. A consensus of forecasts compiled by First Call, the estimates service, shows that analysts expect a pre-tax figure of £78.6m, which would be a fall from the £89m achieved last year.

● When clothing retailer **Next** reports final figures investors may be treated to the unusual sight of shares rising as the company reports a fall in profits. Investor sentiment may be good in the light of a positive outlook statement, as some analysts believe the company is outperforming its peers in clothes retailing. First Call suggests analysts expect a figure of about £156.9m, down from an underlying £176m last year.

● Final figures from **House of Fraser** will add to the welter of information coming from the retail sector, and in particular whether the consumer is feeling weak or confident. Williams de Broë expects a fall from £28m to £24m pre-tax.

THURSDAY

● **LucasVarity** is in the middle of an agreed bid from TRW of the US so shareholders are unlikely to pay too much attention to the actual numbers when it reports final figures. The impact of the General Motors strike in the US may throw some light on the effect on other auto component suppliers. BT Alex Brown expects a 5 per cent pre-tax advance to £346m.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Republic of Argentina‡	300	Apr 2004	(a)	99.038R	-	-	Barclays Capital
Freye Funding Corp(b)‡	216	Feb 2004	(b1.l)	100.00R	-	-	Warburg Dillon Read
DSL Bank(c)	200	Feb 2005	5.75	100.359R	5.672	+54(4¾Feb04)	CSFB/Nomura Intl
FCCMT II 99-A, Cls A(k)‡	498	Mar 2002	(k1)	100.00	-	-	Lehman Brothers
Deutsche Bank Finance‡	500	Apr 2004	(m)	99.806R	-	-	Deutsche Bank
RFS 1999-H1(n)★‡	450	-	-	-	-	-	Bear Stearns
Champion HELT 99-1(v)‡	400	Mar 2030	(v1.l)	100.00	6.166	-	Lehman Brothers
John Hancock Global Fnding	250	Mar 2009	6.125	99.70R	3.164	+100(Nov08)	CSFB
Fannie Mae(B)★	2bn	Feb 2004	5.125#	98.594	5.455	+45½(Feb04)	BSteams/GSachs/Merrill
Hannover Finance Inc(C)	400	Mar 2029	(C1)	100.00R	-	-	JP Morgan/M Stanley
International Endesa	350	Apr 2009	6.00	99.258R	6.101	+90(4¾Nov08)	Deutsche Bank
Jackson Natl Life Funding‡	300	Apr 2004	(D)	99.734R	-	-	Morgan Stanley DW
FAMLT 1999-1, Cls A1(F)★	85	Apr 2016	6.68(l)	99.984375	-	-	Lehman Brothers
Banco Hipotecario(G,s)	100	Mar 2002	12.25#	100.00	-	-	Salomon Smith Barney
MBNA MCCT II, 99-B(J)	750	Mar 2009	-	-	-	-	Lehman Brothers
STERLING							
Wessex Water plc	300	Mar 2009	5.875	99.183R	5.986	+135(Dec09)	Barclays/HSBC Markets
Tiara SI BV, Class A(u)	82	Jul 2027	5.90#	99.655R	5.925	+140(8%-28)	Merrill Lynch Intl
Tiara SI BV, Class M(u)	30	Jul 2027	6.90#	99.693R	6.924	+240(8%-28)	Merrill Lynch Intl
GECC(y)	100	Jan 2004	5.125	100.08	5.101	+53(6¾Nov04)	Salomon SB
Millshaw Sams No 1(z)	97.84	Jun 2054	zero	114.00	-	-	Barclays Capital
Capital Shopping Centres	150	Mar 2009	5¾(l)§	99.264R	5.85	+140(Dec09)	Barclays/Dresdner KB
Woolwich plc‡	250	Apr 2008	(M)	99.86	-	-	HSBC Markets
Stirling Water Seafield Fin(N)	79.3	Sep 2026	5.822#	100.55	-	-	RBC DS Global Markets
SWISS FRANCS							
GECC	300	Apr 2007	2.75	102.35	-	-	CSFB/Merrill Lynch
Abbey Natl Trsy Services@	100	Apr 2005	2.25	100.65	-	-	Deutsche/Warburg
AUSTRALIAN DOLLARS							
Westpac Banking Corp★	200	Mar 2002	4.90#	99.95	-	-	Nomura International
CANADIAN DOLLARS							
Commerzbank AG	100	Apr 2004	5.375	99.57R	5.476	+32(5¼Sep03)	RBC DS Global Markets
Province of Alberta	100	Apr 2002	5.25	99.70R	5.361	+11(5½Sep02)	CIBC Wood Gundy
GREEK DRACHMA							
Hypovereins Finance(A)	30bn	Feb 2004	5.50	99.00R	5.737	-	HypoVereinsbank
Commerzbank AG‡	10bn	Apr 2002	(P)	100.00	-	-	RBC DS Global Markets
SOUTH AFRICAN RAND							
Transnet	1.5bn	Mar 2029	10.00	68.765	-	-	RBC DS Global Markets
EUROS(e)							
TDA-7(d)‡	1.051bn	-	-	-	-	-	CAI/EBN/SG
SPOR Funding plc(g)‡	257	Jan 2004	-	-	-	-	BLI/MI
Dijon Finance 1999-1(h)‡	72	Mar 2011	-	-	-	-	Goldman Sachs Intl
Deutsche Bank AG London‡	500	Apr 2014	(o)‡	99.85R	-	-	Cabot/Deutsche Bank
Telefonica	500	Apr 2009	4.50	99.526R	4.560	+57(3¾Jan09)	Arg/BBV/Dresdner KB
Lehman Brothers Hldgs plc	500	Jul 2004	4.75(s)	99.88R	4.78	+135(Jul04)	Lehman Brothers Intl
Canada(l,f)	390.2	Apr 2009	4.50(s)	101.291	4.34	+23(4%Apr09)	SG
Cades(w,f)	1.5bn	Jul 2013	3.15	99.83R	3.898	+14(OAT)	CDC/CAI/SG
Far Finance and Trade Ltd	1bn	Mar 2004	3.75	99.341R	-	+61(3½Nov03)	Deutsche/Medio/MSDW
DePfa Bank(p)‡	1bn	Mar 2001	(x)	100.016R	-	-	Morgan Stanley DW
Argentia Nederland	50	Apr 2004	4.00	100.00	-	-	BCEE
Landsbanki Islands‡	52	Apr 2004	(H)	99.90	-	-	JP Morgan Securities
Schneider SA(f)	750	Apr 2004	3.75	99.415R	3.881	+50(5½Apr04)	M Stanley/Paribas
Morgan Guaranty Tst Co‡	200	Apr 2014	(K)§	99.90R	-	-	Cabot/JP Morgan
BNG(L)	200	Jan 2004	3.75(l)	101.362R	3.43	+18(6¾Jul04)	Morgan Stanley DW

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ɸWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor +575bp. b) FSA-guaranteed asset backed. Average life: 12 mths. b1) 1-mth Libor +40bp. c) Fungible with $1.3bn. Plus 55 days accrued. d) 4-tranche deal secured on Spanish mortgages. 10% cleanup call. e) Spread relates to German govt bonds unless stated. f) Spread re French govt bonds. g) 2-tranche deal secured on portfolio of Italian assets from 17 banks. Amortises after 18 mths. h) Secured on portfolio of French business loans. i) Over interpolated yield. j) Fungible with SFr200m launched in March 1998. No accrued. k) Fleet Credit Card Master Trust. Legal maturity: 15/9/04. k1) 1-mth Libor +11bp. k2) Class B: $45m, 1-ML +33bp, Mar 02, par. l) Long 1st coupon. m) 3-mth Libor +8¼bp. n) Residential Funding Securities, Home Loan Trust. 6 tranches. o) 0.82 x 10-yr swap rate; min 3½. p) Oeffentliche Pfandbrief. q) Quarterly. s) Short 1st coupon. t) Fungible with FFr4bn taking total to €1bn. u) Tiara Securities issuer. Secured on portfolio of Nursing Home Leases: originated by Principal Healthcare Funding. u1) Class B: £11m, Jul 2027, 7.9%, 99.728, +340bp. v) Home Equity Loan Trust. v1) 1-mth Libor +28bp. w) Linked to French RPI. x) 3-mth Euribor -5bp. y) Fungible with £200m. Plus 74 days accrued. z) Shared Appreciation Mortgage Securities. Originator: Barclays Sams Ltd. Coupons and redemption linked to appreciation of underlying properties. A) Fungible with Dr20bn. Plus 43 days accrued. B) Fungible with $4bn. Plus 42 days accrued. C) Callable from Mar 09 at par. C1) 6-mth Libor +80bp to Mar 09, then +180bp. D) 3-mth Libor +20bp. F) First Alliance Mortgage Loan Trust. Plus 18 days accrued. Pays monthly. F1) Class A2: $30m, 1ML +32bp, par, Jul 2013. G) With 1-yr detachable warrants to identical notes at par. H) 3-mth Euribor +25bp. J) Master credit Card Trust. 3-tranche asset backed. K) 0.82 x 10-yr swap rate; min 3.75%. L) Fungible with €700m. Plus 137 days accrued. M) 3-mth Libor +⅛%. N) Amortises from 2004: average life 18.87 yrs. P) 3-mth Athimid -45bp. Note: Yields are calculated on ISMA basis.

LONDON MARKET DATA

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div.	Div cov.	Grs yld	P/E net
§175	F.P.	134.2	293½	205	Axon Group	275	+13½	-	-	-	-
	F.P.	59.9	103½	99	Enhanced Zero Tst	99¾		-	-	-	-
•	F.P.	39.5	8	7	Gander Properties	7½		-	-	-	-
§	F.P.	20.8	104½	98½	Gartmore High In	104	+½	K7.2	-	6.9	-
	F.P.	10.7	106½	101½	Do Cnv Pref	105½		-	-	-	-
§	F.P.	95.8	100½	95½	Govett Enhanced	95¼	+¼	H7.5	-	9.8	-
–	F.P.	-	105½	100	Do Zero Div Pref	101	-½	-	-	-	-
§	F.P.	47.7	100½	94¾	Jupiter Enhanced	100		-	-	-	-
§	F.P.	47.4	110	103¾	Do Zero Div Prf	106¾	+¼	-	-	-	-
	F.P.	-	360	245	Lumbar Warrants	250		-	-	-	-
–	F.P.	-	102¼	100	Murray Sm Mk Pf	101¾		-	-	-	-
–	F.P.	-	190	185	Murray Sm Mk Uts	188		-	-	-	-
–	F.P.	-	188¾	185	Murray Sm Mk B	185½		-	-	-	-
–	F.P.	5.90	110½	107½	†NBA Quantum	110		W-	-	-	11.2
•	F.P.	11.8	158	55½	†Sports Internet	134½	+3	-	-	-	-
	F.P.	-	142½	124½	Synstar	140½	+7½	-	-	-	34.6

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	1998/99 Low	Stock	Closing price p	+or-
320	Nil	6/4	21½pm	15pm	First Tech Cv Pf	21½pm	
15	Nil	25/3	12pm	2pm	Oxford Biomedica	8½pm	
406	Nil	7/4	98pm	73pm	Waste Recycling	74pm	-8½

pm premium

FTSE GOLD MINES INDEX

	Mar 19	% chg since 31/12/98	Mid Cap $m	% of Gold Mines	Gross div yld %	Total return	52 week High	52 week Low
Gold Mines Index (29)	902.99	-3.37	29.89	100.00	2.05	919.79	1351.57	701.58
■ Regional Indices								
Africa (9)	993.40	+0.17	8.13	27.20	4.17	1010.94	1488.04	765.63
Australasia (9)	1105.44	-5.25	4.33	14.47	2.84	1119.47	1600.53	815.93
Americas (11)	842.32	-4.47	17.44	58.33	0.86	845.42	1317.41	647.89

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STOCK INDICES

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	1998/9 High	1998/9 Low	Since comp. High	Since comp. Low
FTSE 100	6163.30	6114.30	6140.60	6201.90	6206.80	6335.70	4648.70	6335.70	986.90
FTSE 250	5501.00	5463.30	5485.30	5519.78	5518.80	5986.80	4251.20	5986.80	1379.40
FTSE 250 ex IT	5545.30	5509.80	5531.00	5567.00	5567.90	6030.00	4295.80	6030.80	1378.30
FTSE 350	2940.40	2917.50	2929.90	2957.50	2959.40	3008.80	2293.50	3546.48	664.50
FTSE SmallCap	2388.69	2373.81	2374.85	2376.78	2366.85	2888.88	1834.49	2888.88	1363.79
FTSE SmallCap ex IT	2356.54	2344.82	2343.09	2343.43	2333.89	6554.10	1815.83	6554.10	1363.79
FTSE All-Share	2847.18	2825.40	2836.90	2862.31	2863.52	2908.34	2169.07	2908.34	61.92

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	1998/9 High	1998/9 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1300.09	1293.89	1294.58	1290.15	1288.33	1517.11	1048.17	1517.11	31.14
FTSE Eurotop 100	2911.04	2877.72	2888.87	2907.97	2896.46	3086.91	2049.91	3088.81	2044.47
FTSE Eurotop 300	1258.10	1242.43	1245.85	1255.25	1252.01	1327.68	893.55	1327.68	874.08
FT 30	3753.40	3716.40	3724.50	3778.00	3783.40	3984.00	2806.80	3984.90	49.40
FT Govt Securities	118.16	118.32	118.19	115.72	115.23	117.17	93.31	141.84	49.18
FT Fixed Interest	154.91	154.91	154.89	154.24	153.97	158.80	115.32	158.69	50.53
FTSE Gold Mines	902.99	898.80	907.69	907.90	925.70	1391.57	701.58	2074.61	701.58

Japanese puzzle

This week, markets may choose to spend some more time on the perennial puzzle of what Japanese policy-makers are trying to do to the economy.

The yen has strengthened over the past couple of weeks, as rises in the Nikkei have increased talk of capital flows favouring Japan. This has somewhat undermined the Ministry of Finance's insistence that they do not favour a strong yen at the moment.

This week's meeting of the Bank of Japan's policy board may be forced to consider more options. So far the Bank of Japan has refused to buy government bonds outright, relying instead on guiding overnight interest rates towards zero.

However, if easier credit fails to lead to faster growth in the money stock, the pressure on the BoJ to try other avenues may increase. Minutes released last week of the policy board meeting on February 12 show that one director, Nobuyuki Nakahara, proposed that the BoJ move towards a quantitative easing of credit.

This was rejected at that meeting, but last week BoJ governor Masaru Hayami said he would continue to study targets other than the overnight call rate.

Key data releases this week include February's consumer price index for the euro-zone, on Thursday. Having been stable at 0.8 per cent for the previous two months, the annual inflation rate is not expected to change much but the market may reflect that only low energy prices have been keeping CPI inflation below the 1 per cent level, and that if recent rises in oil prices are sustained, the annual rate may jump in March.

There are also several key data releases for the UK this week. Gross domestic product and current account data for the fourth quarter of 1998, and trade figures for January, should help show whether the UK economy is headed for a soft landing.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

Mar 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro Euribor	–	3.031	3.027	3.0031	3.012	–	–	–
week ago	–	3.047	3.047	3.024	3.029	–	–	–
EONIA	2.65	–	–	–	–	–	–	–
week ago	2.92	–	–	–	–	–	–	–
EURONIA	2.7181	–	–	–	–	–	–	–
week ago	2.9237	–	–	–	–	–	–	–

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

POUND IN NEW YORK

Mar 19	Close	Prev. close
£ spot	1.6285	1.6295
1 mth	1.6279	1.6289
3 mth	1.6274	1.6284
1 yr	1.6302	1.6313

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

OTHER CURRENCIES

BANK RETURN

The Bank Return table can be found on page 27 in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Mar 12, 4.8934pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 26, 1999. Agreed rate for period Mar 24, 1999 to Apr 23, 1999, Scheme III 6.80pc. Reference rate for period Jan 30, 1999 to Feb 26, 1999, Schemes IV & V 6.550pc. Finance House Base Rate 6.0pc for Mar 1999.

BANK OF ENGLAND TREASURY BILL TENDER

	Mar 19	Mar 12		Mar 19	Mar 12
Bills on offer	£200m	£200m	Top accepted rate	4.8734%	4.8934%
Total of applications	£3,125m	£1,602m	Ave. rate of discount	4.8734%	4.8934%
Total allocated	£200m	£200m	Average yield	4.9333%	4.9538%
Min. accepted bid	£98.785	£98.780	Offer at next tender	£200m	£200m
Allotment at min. level	100%	50%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	●Robert Fleming & Co	5.50	Sun Bank	5.50
●Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	●SG Hambros Bank & Trust	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Bank of Scotland	5.50	Investec Bank (UK) Ltd	5.50		
Barclays Bank	5.50	Julian Hodge Bank	5.50		
Brit Bk of Mid East	5.50	●Leopold Joseph & Sons	5.50		
●Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.50		
Citibank NA	5.50	Midland Bank	5.50		
Clydesdale Bank	5.50	NatWestminster	5.50		
The Co-operative Bank	5.50	●Rea Brothers	5.50		
Coutts & Co	5.50	Royal Bk of Scotland	5.50		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.50		

● Members of London Investment Banking Association

BENCHMARK GOVERNMENT BONDS

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts* (Lives up to Five Years)						
Treas Flg Rate 1999	100.0000	—	5,700	Mr/Je/Se/De	8.3	4945
Exch 12¼pc 1999	100.0000	-.2	3,050	Se26 Mr26	17.9	1264
Treas 10½pc 1999	100.8464	-.1	1,252	Nv19 My19	10.11	1288
Treas 6pc 1999	100.4216	—	6,950	Fe10 Au10	1.2	3635
Conv 10¼pc 1999	103.4723	—	1,798	My22 Nv22	12.11	1242

Other Fixed Interest

EQUITIES

Europe follows Dow across Rubicon

EUROPEAN OVERVIEW

By Florian Gimbel

European shares are expected to start the week on a positive note, in response to higher oil prices and a seemingly unrestrained rally on Wall Street.

The Dow's crossing of the 10,000-point Rubicon buoyed European markets on Friday, leaving the FTSE Eurotop 300 index 15.68 higher.

Activity throughout the week is likely to be driven by the outperforming oil stocks, which have benefited from a 25 per cent rise in oil prices over the past month. But Tuesday's crucial Opec meeting in Vienna will show if oil producers can live up to market expectations.

"With the projected cuts in production already factored in, oil shares look fully valued," warned Ian Scott at Lehman Brothers. He was *putting his bets on consumer cyclicals* – media, leisure and automobiles – deeming them "attractively valued" in relation to stable-*growth stocks, such as pharmaceuticals and utilities.*

George Hodgson at ABN Amro also expressed concerns over the sustainability *of the recent rally in commodity stocks.* "Oil prices have surged on the back of a supply squeeze, but demand *has remained sluggish. Signs* of poor compliance [with the production cut agreement] could lead to market disappointment," he said.

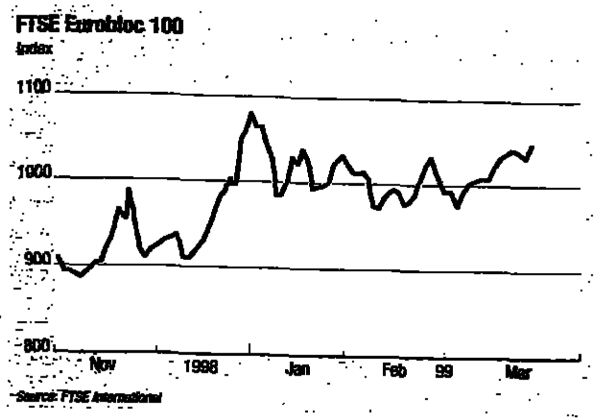
The euro-zone harmonised consumer price index for February, due on Thursday, is unlikely to reflect the recent surge in oil prices and *is therefore expected to* remain at around 0.8 per cent. But this might easily change as both commodity *and wage inflation are picking up.*

The industrial sector stands to lose most as the inflation environment changes. "Companies' pricing capacity has already been constrained by worldwide excess capacity in production. Inflationary pressure will only result in lower margins and higher unemployment," said Mr Hodgson.

He added that industrials would also fail to benefit from continuously strong consumer demand. "People are buying services, not industrial goods," he said.

The *FTSE Eurotop 300* index ended the week 15.68 higher at 1,258.10, while the FTSE Eurotop 100 rose 33.31 to 2,911.04. The FTSE Ebloc index of leading stocks in the euro-zone settled 13.70 higher at 1,050.22.

FTSE Eurobloc 100



Source: FTSE International

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.135	97.125	-0.025	97.140	97.110	42421	198563
Sep	97.160	97.145	-0.030	97.160	97.135	21881	168874
Dec	96.920	96.910	-0.030	96.925	96.895	5559	95751
Mar	97.060	97.050	-0.020	97.060	97.040	8099	79193

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		97.125	-0.025			0	105500
Sep		97.145	-0.030			0	93022
Dec		96.910	-0.030			0	83441
Mar	97.050	97.050	-0.020	97.050	97.050	77	84250

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	CALLS Jun	Sep	Dec	Mar	PUTS Jun	Sep	Dec	Mar
97125	0.085				0.085			
97250	0.035	0.090	0.060	0.135	0.160	0.195	0.400	0.335
97375	0.020				0.270			
97500	0.010	0.030	0.035	0.065	0.385	0.385	0.625	0.515

Est. vol total, Calls 523 Puts 0. Previous day's open int., Calls 163964 Puts 98044

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett. price	Change	High	Low	Est. vol	Open int.
Mar	2915.0	2918.0	+53.0	2924.0	2915.0	189	2700
Jun	2916.0	2915.0	+43.0	2934.0	2910.0	761	4700

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3100 C	3100 P
Mar	179	2	119	2	66	2	34	10	4	42	2	92	2	143	2	
Apr	242	77	207	92	174	109	144	129	118	153	95	180	75	209		

Est vol total:10 . Prev day's open interest total: 9,299 . Premiums shown are based on settlement prices.

OTHER INDICES

	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3583.47	3538.27	3558.57	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx 50	3633.05	3579.21	3589.16	3685.36	2419.23	3685.36	2419.23
MSCI Europe	(u)	1216.37	1222.06	1315.55	806.59	1315.55	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Mar 19 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1258.10	+1.28	+15.68	2.03	3.55	1299.22
FTSE Eurotop 100	2911.04	+1.16	+33.31	2.00	9.24	1046.95
FTSE Eurobloc 100	1050.22	+1.32	+13.70	1.90	1.02	1067.11
FTSE EuroMid	1235.21	+1.17	+14.26	2.69	3.65	1283.80
FTSE EuroMid Eurobloc	1190.96	+0.70	+8.25	2.31	2.35	1218.54
FTSE EuroMid Ex UK	1255.25	+1.06	+13.12	2.12	1.80	1280.36
FTSE Eurotop 300 Regions						
Eurobloc	1307.80	+1.30	+16.81	1.87	1.47	1337.35
UK	1203.61	+1.48	+17.53	2.55	7.87	1272.21
Europe Ex-Eurobloc	1219.21	+1.22	+14.69	2.19	5.83	1268.76
Europe Ex-UK	1289.89	+1.15	+14.66	1.76	1.14	1315.22
FTSE Eurotop Industry Sectors						
RESOURCES	1010.21	+0.40	+4.00	2.89	3.69	1060.91
Mining	931.31	+1.10	+10.11	3.92	21.37	974.37
Oil & Gas	975.45	+0.37	+3.59	2.85	2.82	1002.52
BASIC INDUSTRIES	1116.14	+0.85	+9.39	2.56	2.55	1142.85
Chemicals	853.61	+0.85	+7.18	2.52	2.47	871.33
Construction & Bld Matls	1017.33	+0.09	+0.89	2.17	1.13	1027.42
Forestry & Paper	960.13	+2.90	+27.58	3.95	0.00	1024.94
GENERAL INDUSTRIALS	1154.95	+1.68	+19.10	2.21	3.28	1183.01
Aerospace & Defence	754.13	-0.54	-4.12	2.27	2.89	767.25
Diversified Industrials	996.93	+1.81	+17.80	2.04	0.00	1021.78
Electronic & Elect Equip	1067.83	+1.04	+10.97	1.80	5.15	1079.20
Engineering & Machinery	*1027.42*	*+2.67*	*+26.70*	*2.87*	*4.16*	*1045.84*
CYCLICAL CONS GOODS	1298.95	+1.39	+17.84	2.23	0.60	1335.32
Automobiles	947.84	+1.40	+13.06	2.27	0.53	957.17
Household Goods & Texts	1389.19	+1.37	+18.81	2.05	0.00	1401.05
NON-CYC CONS GOODS	1211.67	+0.86	+10.27	1.51	2.75	1247.81
Beverages	934.88	+0.54	+5.02	2.69	0.00	955.06
Food Producers & Process	917.16	+1.06	+9.59	1.74	1.41	929.34
Health	1011.04	+2.07	+20.54	1.18	0.00	1026.16
Packaging	816.37	+0.65	+5.24	1.10	0.00	817.39
Personal Care & Hse Prods	1099.58	+0.53	+5.82	0.82	0.00	1108.95
Pharmaceuticals	1103.50	+0.79	+8.63	1.20	3.25	1112.71
Tobacco	1343.21	+1.60	+21.18	3.72	7.11	1375.84
CYCLICAL SERVICES	1327.08	+1.77	+23.07	2.09	3.26	1369.32
Distributors	647.94	-0.87	-5.70	4.55	0.00	655.22
General Retailers	1089.75	+1.52	+16.35	2.24	1.27	1113.58
Leisure Entertmt & Hotels	1011.07	+2.59	+25.56	1.98	8.72	1034.77
Media & Photography	*1225.91*	*+2.50*	*+29.93*	*1.84*	*5.20*	*1244.23*
Rests, Pubs & Breweries	886.23	+1.81	+15.75	3.24	3.71	918.21
Support Services	1070.12	+1.16	+12.26	1.11	1.10	1082.56
Transport	969.18	+1.17	+11.18	2.68	1.81	988.90
NON-CYCLICAL SERVS	1334.42	+1.43	+18.84	1.44	0.48	1373.97
Food & Drug Retailers	*1015.27*	*+1.09*	*+10.93*	*2.12*	*0.51*	*1031.28*
Telecommunications Servs	1324.86	+1.51	+19.67	1.31	0.43	1345.05
UTILITIES	1413.88	+1.83	+25.34	3.16	5.17	1504.76
Electricity	1072.57	+1.69	+17.81	3.28	4.44	1111.28
Gas Distribution	1196.83	+1.70	+19.98	1.63	1.00	1318.84
Water	892.49	+3.10	+26.84	5.69	5.94	940.51
FINANCIALS	1357.48	+1.35	+18.07	2.13	5.57	1400.57
Banks	969.83	+1.39	+13.33	2.55	5.82	989.95
Insurance	1013.54	+1.45	+14.44	1.35	1.78	1027.61
Life Assurance	1124.34	+0.49	+5.41	1.77	0.96	1139.89
Investment Companies	998.57	-0.46	-4.66	1.78	0.00	1022.52
Real Estate	*728.36*	*+2.36*	*+16.80*	*3.43*	*1.67*	*749.06*
Speciality & Other Fin	1024.38	+2.16	+21.70	2.19	0.00	1041.48
INFORMATION TECH	931.36	+1.70	+15.61	0.89	2.65	936.25
Information Tech Hardware	1024.57	+1.78	+17.94	1.00	3.71	1030.77
Software & Computer Serv	715.98	+1.44	+10.19	0.53	0.15	717.81

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CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Mar 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	38.0312	+0.1475	066 - 557	38.0600	37.7860	38.1710	-4.4	38.4206	-4.1	39.4913	-3.8
Denmark	(DKr)	7.4321	-0.0014	276 - 365	7.4375	7.4273	7.4342	-0.3	7.4378	-0.3	7.4561	-0.3
Greece	(Dr)	321.467	+0.0180	333 - 600	321.800	320.017	323.2140	-6.5	326.4316	-6.2	338.9474	-5.4
Hungary	(Forint)	253.745	-0.5180	523 - 967	254.900	252.830	256.4778	-12.9	261.6416	-12.4	283.5797	-11.8
Norway	(NKr)	8.4339	-0.0256	291 - 386	8.4570	8.4280	8.4625	-4.1	8.5109	-3.7	8.6594	-2.7
Poland	(Zloty)	4.2544	-0.0359	490 - 597	4.2945	4.2420	-	-	-	-	-	-
Romania	(Leu)	16279.10	-1464.20	836 - 984	-	-	-	-	-	-	-	-
Russia	(Rouble)	26.3573	-0.2465	135 - 010	26.5769	26.3050	-	-	-	-	-	-
Slovakia	(Koruna)	*44.6476*	*-0.0829*	*233 - 119*	44.8813	42.3274	-	-	-	-	-	-
Sweden	(SKr)	8.9316	-0.0026	241 - 391	8.9566	8.8920	8.9327	-0.1	8.9348	-0.1	8.9508	-0.2
Switzerland	(SFr)	1.5975	-0.0001	966 - 983	1.6005	1.5960	1.5950	1.9	1.5906	1.7	1.5741	1.5
UK	(£)	0.6707	-0.0033	703 - 710	0.6752	0.6700	0.6720	-2.3	0.6744	-2.2	0.6848	-2.1
Americas												
Argentina	(Peso)	1.0922	-0.0064	919 - 924	1.0995	1.0896	-	-	-	-	-	-
Brazil	(R$)	2.0212	-0.0306	153 - 271	2.0405	2.0058	-	-	-	-	-	-
Canada	(C$)	1.6575	-0.0097	566 - 584	1.6670	1.6544	1.6604	-2.1	1.6661	-2.1	1.6933	-2.2
Mexico	(New Peso)	10.5672	-0.0271	593 - 750	10.6436	10.5369	10.7647	-22.4	11.1409	-21.7	12.9577	-22.6
USA	($)	1.0926	-0.0061	923 - 928	1.1000	1.0901	1.0943	-1.9	1.0980	-2.0	1.1168	-2.2
Pacific/Middle East/Africa												
Australia	(A$)	1.7330	-0.0066	319 - 341	1.7500	1.7299	1.7359	-1.8	1.7408	-1.8	1.7666	-1.9
Hong Kong	(HK$)	8.4672	-0.0470	650 - 694	8.5004	8.4585	8.4820	-2.1	8.5209	-2.5	8.8161	-4.1
India	(Rs)	46.3296	-0.2752	808 - 784	46.6829	46.2224	46.6831	-9.2	47.3738	-9.0	50.9229	-8.9
Indonesia	(Rupiah)	9701.85	-213.4700	593 - 778	9865.00	9650.40	9930.83	-28.3	10449.76	-30.8	12877.37	-32.7
Israel	(Shk)	4.3953	-0.0231	897 - 029	4.4288	4.3846	-	-	-	-	-	-
Japan	(Y)	127.965	-1.4180	897 - 032	129.200	127.800	127.6179	3.3	127.0350	2.9	124.4004	2.8
Malaysia	(M$)	4.1517	-0.0232	312 - 339	4.1798	4.1429	-	-	-	-	-	-
New Zealand	(NZ$)	2.0587	-0.0096	563 - 611	2.0716	2.0484	2.0614	-1.6	2.0672	-1.7	2.0986	-1.9
Philippines	(Peso)	42.4019	-0.3356	283 - 756	42.6560	42.1433	42.7381	-9.5	43.3729	-9.2	46.4773	-9.6
Saudi Arabia	(SR)	4.0974	-0.0231	959 - 989	4.1253	4.0882	4.1087	-3.3	4.1352	-3.7	4.2572	-3.9
Singapore	(S$)	1.8836	-0.0127	826 - 845	1.8923	1.8801	1.8815	1.3	1.8787	1.0	1.8785	0.3
South Africa	(R)	6.7662	-0.0976	592 - 732	6.8511	6.7478	6.8411	-13.3	6.9632	-11.6	7.4779	-10.5
South Korea	(Won)	1333.46	-12.3900	151 - 540	1346.40	1330.40	-	-	-	-	-	-
Taiwan	(T$)	36.1634	-0.2140	442 - 826	36.4050	36.0840	36.3145	-5.0	36.6112	-5.0	37.7719	-4.4
Thailand	(Bt)	40.9160	-0.2340	520 - 800	41.3050	40.7488	41.0638	-4.3	41.3763	-4.5	43.2724	-5.8
UAE	(Dirham)	*4.0129*	*-0.0222*	*118 - 140*	*4.0550*	*3.9750*	4.0200	-2.1	4.0355	-2.3	4.1150	-2.5

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

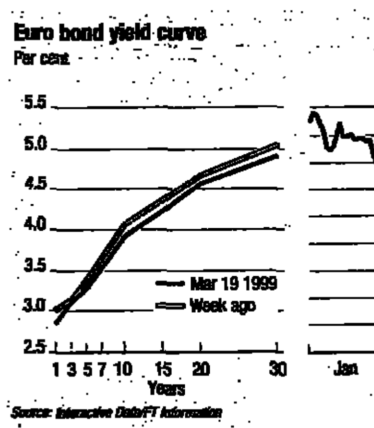
BONDS

INTEREST RATE SWAPS

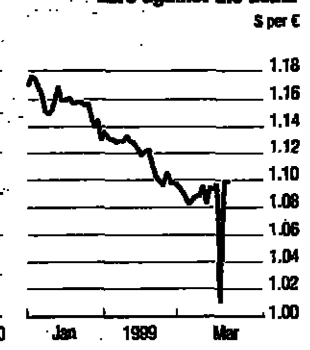
Mar 19	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.04	3.07	5.24	5.27	1.53	1.57	5.25	5.28	0.20	0.23
2 year	3.10	3.14	5.22	5.25	1.76	1.84	5.43	5.46	0.34	0.37
3 year	3.24	3.28	5.25	5.29	1.99	2.07	5.54	5.57	0.57	0.60
4 year	3.41	3.45	5.25	5.29	2.19	2.27	5.60	5.63	0.82	0.85
5 year	3.58	3.62	5.23	5.27	2.37	2.45	5.67	5.70	1.08	1.11
6 year	3.75	3.79	5.22	5.26	2.55	2.63	5.72	5.75	1.35	1.38
7 year	3.92	3.96	5.21	5.25	2.72	2.80	5.78	5.81	1.57	1.60
8 year	4.07	4.11	5.21	5.25	2.88	2.96	5.81	5.84	1.77	1.80
9 year	4.20	4.24	5.22	5.26	3.04	3.12	5.85	5.88	1.93	1.96
10 year	4.29	4.33	5.23	5.27	3.18	3.26	5.89	5.92	2.07	2.10
12 year	4.44	4.48	5.24	5.29	3.40	3.50	5.96	5.99	2.28	2.32
15 year	4.64	4.68	5.25	5.30	3.66	3.76	6.06	6.09	2.54	2.59
20 year	4.88	4.90	5.25	5.30	3.92	4.02	6.15	6.18	2.74	2.79
25 year	5.00	5.04	5.24	5.31	4.01	4.11	6.16	6.19	2.80	2.85
30 year	5.05	5.09	5.24	5.31	4.11	4.21	6.16	6.19	2.85	2.91

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Europe Limited.

Euro bond yield curve



Euro against the dollar



Source: Interactive Data/FT Information.

EURO-ZONE BONDS

Mar 19	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	101.991	3.12	+0.00	-0.03	+0.12
Denmark	01/02	4.750	AA+	103.910	3.25	+0.00	-0.04	+0.14
Sweden	02/01	5.000	AA+	103.317	3.14	+0.00	-0.04	+0.14
Greece	11/06	6.750	BBB	114.965	4.40	+0.02	-0.07	+0.83
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	108.195	4.33	+0.01	-0.04	+0.63
EIB	04/08	5.000	AAA	106.804	4.09	+0.01	-0.01	+0.26
Eurofima	12/09	5.625	AAA	109.144	4.53	+0.02	+0.02	+0.58
World Bank	04/05	7.125	AAA	117.978	3.75	+0.02	-0.10	+0.31
■ UTILITIES								
EDF	10/03	3.750	n/a	101.549	3.38	+0.03	-0.10	+0.17
TEPCO	02/03	4.750	AA	103.822	3.68	+0.01	-0.16	+0.47
Quebec Hydro	03/08	5.375	A+	105.409	4.63	+0.01	-0.02	+0.80
Norsk Hydro	10/99	7.250	A	101.957	3.38	+0.02	-0.13	+0.58
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	107.927	4.44	-0.02	+0.01	+0.42
OKB	09/07	5.750	AAA	111.262	4.14	+0.01	-0.01	+0.44
Credit Local	04/08	5.250	AA+	106.183	4.41	+0.02	-0.02	+0.58
Abbey Natl	01/09	5.000	AA-	101.922	4.75	+0.01	+0.01	+0.80
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.313	3.32	-0.02	-0.11	+0.32
McDonalds	03/08	5.125	AA	105.532	4.37	+0.01	-0.02	+0.54
Philip Morris	06/08	5.625	A	104.955	4.94	+0.01	+0.05	+1.11
BAT Intl Fin	07/06	5.375	A-	103.312	4.82	+0.01	-0.09	+1.25
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.725	3.24	+0.01	-0.04	+0.24
Eurohypo AG	01/04	5.000	n/a	106.237	3.56	+0.01	-0.03	+0.24
Bayer Vereins	01/06	6.000	n/a	112.289	3.91	+0.01	+0.02	+0.34
Depfa	07/08	4.750	n/a	103.832	4.24	+0.00	+0.04	+0.41
■ HIGH YIELD								
Geberit	04/07	10.125	B+	114.750	6.27	+0.08	-2.22	+2.57
Colt Telecom	11/07	8.875	n/a	107.388	7.69	+0.03	-0.22	+3.99
Impress Metal	05/07	9.875	B	110.750	7.42	+0.41	-2.00	+3.72
Remy Cointreau	07/05	10.000	B+	99.882	10.02	+0.03	-0.41	+6.58

Standard & Poor's ratings. Source: Interactive Data/FT Information.

FTSE EUROTOP 300

Name	Price (Euro)	Chge + or -	Mkt cap Euro(bn)	Vol (m)	Yld
AEROSPACE & DEFENCE					
Brit Aero	5.75	-.1	5.0	7.2	1.8
Smiths Ind	13.40	-.2	4.2	1.4	2.6
[illegible]					
AUTOMOBILES	[illegible]				
BANKS	[illegible]				
BEVERAGES	[illegible]				
CHEMICALS	[illegible]				
CONSTRUCTION & BUILDING	[illegible]				
DISTRIBUTORS	[illegible]				
DIVERSIFIED INDUSTRIALS					
Investor A	37.51	+.4	2.9	-	3.3
Investor B	38.40	+.4	4.3	0.3	3.2
[illegible]					
ELECTRICITY	[illegible]				
ELECTRONIC & ELECTRICAL EQUIPT	[illegible]				
ENGINEERING & MACHINERY	[illegible]				
FOOD & DRUG RETAILERS	[illegible]				
FOOD PRODUCERS & PROCESSORS	[illegible]				
FORESTRY & PAPER	[illegible]				
GAS DISTRIBUTION	[illegible]				
GENERAL RETAILERS	[illegible]				
HEALTH	[illegible]				
HOUSEHOLD & TEXTILES	[illegible]				
IT HARDWARE	[illegible]				
INSURANCE	[illegible]				
INVESTMENT COMPANIES	[illegible]				
LEISURE ENTERTAINMENT & HOTELS	[illegible]				
LIFE ASSURANCE	[illegible]				
MEDIA & PHOTOGRAPHY	[illegible]				
MINING	[illegible]				
OIL & GAS	[illegible]				
PACKAGING	[illegible]				
PERSONAL & HOUSEHOLD PRODUCTS	[illegible]				
PHARMACEUTICALS	[illegible]				
REAL ESTATE	[illegible]				
RESTAURANTS PUBS & BREWERIES	[illegible]				
SOFTWARE & COMPUTER SERVICES	[illegible]				
SPECIALITY & OTHER FINANCE	[illegible]				
SUPPORT SERVICES	[illegible]				
TELECOMMUNICATION SERVICES	[illegible]				
TOBACCO	[illegible]				
TRANSPORT					
Acsa	12.45	-.1	3.1	0.5	2.7
BAA	9.49	+.1	10.1	4.7	2.8
DS 1912 B	5,996.85	-47.2	3.2	-	0.1
DS Svendbor	8,475.77	-289.0	3.2	-	0.1
Lufthansa	22.45	+.4	4.2	0.7	2.8
P & O	11.96	+.3	7.7	4.0	4.4
Railtrack	21.57	+.7	11.0	1.9	2.0
Stagecoach	3.50	-	4.8	2.5	1.4
WATER					
Anglian Wtr	10.69	+.1	3.1	1.0	6.9
Severn Trent	13.44	+.4	4.2	3.9	5.0
Thames Water	14.37	+.4	5.0	0.6	5.2
Utd Utils	11.17	+.4	6.1	2.7	5.6

Notes

Price data and market capitalisations supplied by FTSE International.

Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents.

Stocks in bold type are domiciled in Emu countries.

Trading Volumes and yields derived from local domestic markets and supplied by Financial Times Information.

Company classifications are based on those used for the FTSE Eurotop share indices.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS - Continued

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Egypt Trust $		724¼	-3	Q28c	Feb	72.4	8.2	–
F&C Latin American $	♣	88½	9.0	–	–	79.5	–	3466
Warrants		40½	13.3	–	–	6.08	–	3475
1st Russian Frontiers $	♣	241	-3.0	–	–	21.6	–	4798
Warrants		70	-3.4	–	–	0.84	–	4799
Warrants II		48½	-5.1	–	–	0.31	–	1180
Five Arrows Chile		105½	2.1	–	–	–	–	1213
Warrants		1	0.3	–	–	0.82	–	4635
Uts Cv Uns Ln 2040		113	2.5	–	–	–	–	2210
Govett Asian Smlr	♣	78½	8.3	0.54	May	28.4	6.4	2428
Hambros Smlr Asian Cos	♣	27¾xd	4.7	0.3c	Apr	13.9	9.11	4682
Warrants		3¼	–	–	–	0.32	–	4685
Indonesia Fund		130¼	0.3	–	–	13.8	–	2828
Warrants		8	0.3	–	–	0.16	–	2934
Israel Fund $		68½	1.9	–	–	120.9	3'95	4167
Korea-Europe $	♣	208¾	1.2	Q2c	Oct	97.8	9'97	5040
Korea Liberal $		118½	-4.7	–	–	14.2	7'92	–
Warrants		15¼	0.3	–	–	0.18	–	–
Lazard Birla India	♣	38¾	0.3	–	–	28.2	–	4857
Warrants		7¼	-3.6	–	–	0.88	–	4858
Schroder Korea Fd $	♣	353	4.9	–	–	23.3	–	2247

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
AIM Distribution		80	–	3.6	Dec Apr	16.8	14.12	1889
AIM VCT		100	–	–	–	15.0	–	1783
Acorn Income Fund		103	1.0	–	–	–	–	1602
Advent VCT	♣	80	–	0.6	Dec Jul	25.2	9.11	2130
Advent 2 VCT	♣	79xd	–	3.0	Nov Mar	27.7	8.3	2066
BGI Endow Fund I		171½	–	–	–	34.3	–	3405
BGI Endow Fund II		115½	-4	–	–	–	–	–
Baring Chrysalis		429¼	4.0	–	–	78.8	–	2376

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

SUPPORT SERVICES

PROPERTY - Continued

SUPPORT SERVICES - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Barlow R.	♣	£3¾	10.6	Q124c	3.5	711.5	14.12	–
Investec Group		£24¾	-.4	–	–	–	–	–
Investec Hldgs.		£22¾	0.2	–	–	–	–	–
Standard Bank R.		£1½	-.9	Q51.7c	3.2	2,038	24.8	–
Tiger Oats		625	–	Q177c	2.7	844.9	14.12	–
Tongaat-Hulett R.		347	4.5	Q207c	2.6	356.0	22.6	–

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
FTSE 100 TRAINS		657800xd	–	–	–	–	14.9	–

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
10 Group		1	–	–	–	2.40	–	1988
AFA Systems		101½	9.7	–	–	12.8	–	1498
AMCO	V	85	–	7.0	♦	12.3	21.9	5396
ATA		95xd	–	5.8	2.0	6.17	8.3	2937
AdVal Group		44½	–	–	–	5.87	–	2927
Access Plus	♣v	250	8.7	6.65	♦	42.0	12.10	2329
Africap Gold	♣	2¼	–	–	–	2.36	–	6395
Albemarle & Bond	♣	71xd	-7	1.25	3.1	31.5	22.2	5352
Allzyme	♣	26½	1.9	–	–	9.41	–	1776
Ambient Media		59½xd	17.8	–	–	14.2	–	2881
Ambiclus Pub Co.	♣	112½	–	–	–	7.09	–	2516
Anglo Siberian Oil Co		80½	-5	–	–	32.9	–	2931
Anglo-Welsh	♣	108½	–	3.0	4.1	3.36	2.11	1981
Antisoma	♣	43½	-17.1	–	–	33.8	–	5290

AIM - Continued

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Virtual Internet		167½	-9	–	–	33.7	–	1678
Voss Net		172½	121.2	–	–	6.04	–	5281
VRL	♣	30½	-4.7	–	–	8.75	9'91	4487
Weather Action		31½	-3.1	–	–	2.11	–	2244
Weeks Group	♣	1¾	-12.5	0.11	2.0	2.59	25.1	1258
West 175 Ents	♣	61½	15.0	–	–	3.38	–	1816
West Bromwich Albion		£105	–	–	–	7.66	–	1851
Western Select	♣	8½	–	0.25	1.2	3.59	9.11	4481
Westmount Energy	♣	17½	–	–	–	1.96	–	5413
Willington	F	68	–	6.9	2.7	6.10	–	1731
Winchester		82½	-5.6	–	–	12.5	–	5193
World Telecom	♣	85	-1.5	–	–	16.3	–	1212
XKO		158	6.7	–	–	1.91	–	5355
Xavier Computer		27½	–	–	–	27.1	–	1684
Yeoman		51½	–	–	–	3.91	–	2901

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of those foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- · Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Dividend adjusted for complex issue. g Assumed dividend. h Assumed dividend after scrip issue. to Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend; cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Dividend includes amount payable after 6-4-99. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 2000. L Estimated annualised dividend. Cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend adjusted for consolidation or share split. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Scotswood Inds (AIM), AIM VCT (InCo). Deletions: Barbican Healthcare, Carlisle Group (AIM), Steel Burrill Jones (Insce), Scottish Eastern Inv (InCo).

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0906 003 or 0906 843 followed by the four-digit code listed after the share price. Calls are charged at 60p per minute at all times. An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial information obtained via FT Cityline before making any investment decision. All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0906 843 0005.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

BERMUDA
(REGULATED)(**)

CAYMAN ISLANDS
(REGULATED)(**)

MFS Meridian Funds - Contd.

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY
(REGULATED)(**)

GUERNSEY
(FSA RECOGNISED)

IRELAND
(FSA RECOGNISED)

AIB Fund Management Ltd

ABN AMRO Global Liquidity Funds Plc (u)

GT Global - Contd.

AIG Asset Management Ltd

ABN Capital Funds Plc (z)

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Barclays International Funds

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Fidelity Funds - Contd.

Lombard Odier Invest (u)

Schroder International Selection Fd - Contd.

Banque Internationale A Luxembourg

International Bond Trust

INVESCO International Limited

InverSud Investment Fund SICAV

Investissements Atlantiques SA

JP Morgan

Scudder Global Opportunities Funds - Contd.

LUXEMBOURG (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

EUROPE (NON-EMU)

PACIFIC

AFRICA

AMERICAS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 19 1999 US Dollar Index	%chg since 31/12/98	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg from 31/12/98	Gross Div. Yield	THURSDAY MARCH 18 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	215.90	8.3	196.47	159.84	227.55	227.77	5.4	3.31	214.91	195.47	158.98	225.25	226.33	219.96	163.86	214.18
Austria (21)	186.73	1.3	169.93	138.25	173.67	173.67	8.9	1.93	186.24	169.39	138.64	172.24	172.24	253.73	165.27	211.02
Belgium (22)	377.23	−10.0	343.28	279.29	343.49	343.49	−3.2	1.96	378.84	344.57	282.01	343.03	343.03	446.95	304.03	304.03
Brazil (29)	126.55	−4.8	115.16	93.69	133.38	430.92	45.8	5.39	125.31	113.97	93.28	131.33	430.74	269.34	89.32	262.41
Canada (113)	206.51	3.6	187.93	152.89	217.68	226.88	2.3	1.75	205.75	187.15	153.16	215.65	226.09	248.78	159.94	239.68
Denmark (34)	421.29	−15.7	383.37	311.90	444.03	389.77	−9.9	1.87	421.48	383.38	313.75	441.76	387.86	537.33	406.62	491.47
Finland (29)	649.85	12.9	591.19	480.97	741.97	741.97	21.4	1.58	638.51	580.76	475.31	725.19	725.19	881.25	338.49	375.58
France (74)	324.93	−0.7	295.69	240.57	306.02	386.02	6.7	1.94	322.24	293.10	239.88	301.80	301.80	354.45	253.86	285.28
Germany (55)	263.82	−6.1	240.08	195.32	245.53	245.53	0.9	1.60	260.91	237.31	194.22	241.47	241.47	325.61	226.35	262.53
Greece (36)	454.89	30.8	413.96	336.78	479.45	959.46	37.4	0.90	441.58	401.65	328.72	462.83	928.17	454.89	211.47	–
Hong Kong, China (66)	323.87	5.4	294.72	239.78	341.35	322.25	5.4	3.54	311.69	283.50	232.02	328.68	310.12	362.52	198.64	354.68
Indonesia (24)	45.74	−6.9	41.63	33.87	48.21	249.18	1.9	1.17	44.07	40.09	32.81	46.19	244.00	64.52	19.04	48.82
Ireland (14)	540.25	−2.0	491.63	399.98	548.74	548.74	5.3	1.87	527.04	479.37	392.33	532.34	532.34	605.85	396.15	520.39
Italy (53)	174.31	−2.6	158.62	129.05	230.71	230.71	4.7	1.44	174.45	158.67	129.86	229.61	229.61	192.64	128.68	150.17
Japan (445)	113.43	12.9	103.22	83.98	119.55	83.98	17.2	0.88	109.40	99.51	81.44	114.86	81.44	113.43	76.83	99.56
Mexico (29)	1428.50	25.1	1299.95	1057.61	1505.62	15106.23	22.3	1.70	1457.23	1325.44	1084.77	1527.33	15363.75	1733.73	787.15	1599.61
Netherlands (28)	506.93	−4.3	461.31	375.31	466.69	466.69	2.9	2.04	501.22	455.89	373.11	458.86	458.86	562.73	394.92	466.34
New Zealand (18)	63.44	7.5	57.73	46.97	66.86	63.48	7.0	4.48	63.01	57.31	46.90	66.04	62.98	77.16	45.68	76.87
Norway (37)	241.07	9.8	219.37	178.48	254.08	252.58	11.2	1.91	240.51	218.76	179.04	252.08	251.39	357.71	161.86	325.85
Philippines (22)	90.32	0.0	82.19	66.87	95.19	174.68	−0.3	0.93	90.88	82.66	67.65	95.25	176.18	106.98	42.48	109.16
Portugal (18)	219.49	−14.6	199.74	162.50	275.68	275.68	−8.2	1.19	218.54	198.78	162.68	272.86	272.86	298.39	194.13	–
Singapore (40)	211.54	−2.1	192.50	156.61	222.96	168.06	2.2	1.58	211.74	192.59	157.62	221.93	168.42	248.74	102.45	246.74
South Africa (34)	209.18	13.5	190.36	154.87	220.47	283.15	19.4	3.40	205.26	186.70	152.80	215.14	280.29	346.20	151.55	291.89
Spain (30)	382.84	−4.3	348.20	283.29	441.46	441.46	2.8	1.58	383.43	348.75	285.43	439.91	439.91	435.19	290.81	351.65
Sweden (43)	514.03	2.4	467.77	380.57	541.78	622.09	3.3	1.98	505.56	459.84	376.34	529.89	608.62	628.19	379.18	586.03
Switzerland (30)	396.26	−4.5	360.60	293.38	417.65	359.22	1.7	1.19	397.43	361.49	295.85	416.55	358.28	441.65	307.73	381.53
Thailand (29)	25.12	5.9	22.86	18.60	26.48	35.52	9.2	2.39	24.70	22.47	18.39	25.89	35.01	33.68	8.15	32.43
United Kingdom (202)	392.19	3.7	356.90	290.36	413.36	356.90	5.9	2.67	389.22	354.02	289.74	407.95	354.02	401.84	307.96	390.56
USA (609)	535.55	5.7	487.36	396.50	564.46	535.55	5.7	1.24	542.89	493.79	404.13	569.01	542.89	542.89	390.12	445.40
Americas (780)	475.22	5.7	432.45	351.83	500.87	403.44	5.8	1.28	481.42	437.88	358.37	504.58	406.72	481.42	347.59	403.82
Europe (724)	357.71	−0.9	325.52	264.83	377.02	338.92	4.3	2.01	355.27	323.14	264.47	372.36	336.32	386.24	282.63	340.06
Eurobloc (342)	102.28	−3.5	93.08	75.73	103.03	103.03	−2.8	1.75	101.54	92.36	75.59	101.72	101.72	113.92	81.53	–
Nordic (143)	499.22	2.5	454.29	369.60	526.17	521.85	6.2	1.84	492.56	448.01	366.66	516.26	512.23	555.97	360.04	485.25
Pacific Basin (719)	120.45	11.4	109.61	89.17	126.95	92.28	14.8	1.34	116.58	106.03	86.78	122.18	89.70	120.45	82.88	110.99
Euro-Pacific (1443)	218.83	2.6	199.13	162.01	230.64	185.25	7.3	1.80	215.61	196.11	160.50	225.98	182.29	221.79	166.00	206.50
North America (722)	513.17	5.6	466.99	379.93	540.87	514.21	5.6	1.26	519.90	472.88	387.02	544.91	520.95	519.90	374.92	432.32
Europe Ex. UK (522)	329.07	−3.1	299.46	243.63	346.83	321.51	3.6	1.67	326.96	297.39	243.39	342.69	317.68	366.32	260.93	305.30
Europe Ex. Eurobloc (382)	98.82	1.9	89.92	73.16	104.15	100.43	5.0	2.28	98.18	89.31	73.09	102.91	99.59	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	96.46	−1.8	87.78	71.41	101.66	98.93	3.0	1.42	96.09	87.40	71.53	100.71	96.05	109.21	75.16	–
Pacific Ex. Japan (274)	192.82	5.9	175.29	142.81	203.02	197.42	5.2	3.25	189.13	172.03	140.79	198.23	193.74	216.04	128.26	212.15
World Ex. Eurobloc (1915)	110.90	5.9	100.92	82.11	116.89	109.98	7.0	1.47	111.15	101.10	82.74	116.50	110.27	111.15	83.09	–
World Ex. US (1648)	218.19	2.8	198.56	161.54	229.97	190.43	7.4	1.83	215.14	195.68	160.15	225.49	187.55	221.91	165.95	210.34
World Ex. UK (2055)	313.56	4.4	285.34	232.15	330.49	283.49	6.5	1.38	314.12	285.71	233.83	329.23	283.84	314.12	238.11	276.27
World Ex. Japan (1812)	423.67	3.4	385.54	313.67	446.54	418.73	5.3	1.59	425.91	387.39	317.05	446.40	420.41	427.99	320.58	378.78
The World Index (2257)	320.36	4.3	291.53	237.18	337.66	290.32	6.5	1.52	320.63	291.63	238.68	336.05	290.41	320.63	242.36	295.90

 CONSTITUENT CHANGES FOR THE WEEK ENDED 19/3/99: Deletions: Bangkok Metropolitan Bank (Thailand) and Christiani & Nielsen (Thailand). Both these stocks will be removed at 0.01 Baht. Netscape Communications (USA); Name change. Niagara Mohawk Power to Niagara Mohawk Holdings Inc. (USA), Lonrho to Lonmin (UK) CONSTITUENT CHANGE WITH EFFECT 22/3/99: NTS Steel Group (Thailand); Natural Park (Thailand); Ensto Manasakorn (Thailand). These stocks will be removed at 0.01 Baht.

Emerging markets: IFC investable indices

Dollar terms

Mar 18 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	798.48	+0.1	+0.1
Brazil	261.48	+2.2	−4.9
Chile	501.35	+0.5	+11.1
Colombia[1]	373.01	+0.3	−15.1
Mexico	606.79	+1.0	+26.0
Peru[2]	140.69	+1.4	+4.7
Venezuela[3]	357.14		−21.2
East Asia			
China[4]	24.21	+0.6	−7.5
India[7]	77.09		+20.1
Indonesia[8]	21.29		−12.1
Korea[5]	52.75	−3.0	−0.5
Malaysia	78.57	+0.3	−11.2
Pakistan[9]	105.68	−0.3	+11.7
Philippines	125.42	+3.0	+1.9
Sri Lanka[10]	65.21	−3.9	−20.8
Taiwan, China[6]	126.64	+2.2	+9.4
Thailand	62.37	+1.3	−1.3
Europe			
Czech Rep	43.05	−2.2	−15.2
Greece	795.34	+0.5	+28.4
Hungary[11]	244.32	−3.9	−12.9
Poland[12]	493.86	+0.9	−5.7
Portugal	248.85	−2.2	−14.8
Russia	41.63	−0.1	+77.5
Slovakia	35.93	−0.4	−17.8
Turkey[14]	209.51	+2.6	+43.2
Mideast/Africa			
Egypt	71.78	+0.4	+11.4
Israel	118.73	−0.4	+16.2
Jordan	233.47	−0.5	+7.8
Morocco	161.21	+0.9	−3.8
S Africa[15]	144.51	−0.8	+15.4
Zimbabwe[16]	122.24	+2.2	+16.0
Regions			
Composite	202.73	+0.2	+8.6
Latin America	451.91	+1.1	+7.7
Asia	110.12	−0.1	+2.9
EMEA	129.84	−0.3	+13.6
Europe	170.05	−0.1	+13.5
Eastn Europe	61.36	−1.3	+5.8
ME & Africa	60.98	−0.8	+13.7
Comp + Malay	203.16	+0.2	+7.2
Asia + Malay	108.11	−0.0	

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

CANADA

TORONTO (Mar 19 / Can $) 4 pm close

NEW YORK STOCK EXCHANGE PRICES

4 pm close March 19

[illegible]

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
62	44¼	BritBSC	0.86	1.4	38	45426	62¼	60½	60¾	-2⅛
114½	52⅝	Br Air x	2.90	4.1	8	163	71½	70¾	71⅛	-⅛
16⅞	4⅝	BP Prudhoe			2	574	6⅞	6¼	6½	-⅛
28⅞	14⅝	BStes	1.73	8.7	10	1154	20⅛	19⅞	20	+⅛
181⅛	79⅞	BT	3.44	2.1	72	188	166¾	163½	163⅝	+2
20	12⅛	BrwnGp x	0.40	3.0	9	608	13½	13¼	13⅜	-⅛
16	6	BrwnSh				196	6⅜	6⅛	6⅛	-⅛
71	49	BrnFmA x	1.18	2.1	19	115	57¼	56¼	56½	-¼
77¼	51⅜	BrnFmB x	1.18	1.9	21	802	61⅛	60½	60⅝	-1⅜
39⅞	26½	BrSerr x	0.76	2.0	19	9409	38¼	38⅛	38⅛	+⅛
8⅝	5⅛	BRT			5	84	6⅞	6⅛	6⅞	+⅛
35⅞	12	Brnswk	0.50	2.5	11	3475	20⅞	20⅛	20⅜	+⅛
30	10⅞	Brush Well x	0.48	3.1		68	15½	15⅜	15⅜	-½
31	25¼	Buckeye Pt	2.10	7.9	13	100	27	26⅝	26⅝	-¼
25⅛	11⅜	BuckeyeTch			9	330	14⅞	13⅞	14⅛	-⅜
20⅛	8⅝	BrnADR				1285	14⅞	13¾	14⅛	+⅛

[illegible]

- E -

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
3⅛	1⅝	EEC Ind				104	2⅝	2⅛	2⅝	+⅛
33¼	18⅝	EG&G	0.56	2.1	12	1041	27⅝	26⅞	27⅛	+⅛
37⅞	20¼	Earthgrns	0.16	0.7	20	1228	22⅛	22¼	22½	
31⅝	23⅞	East Utils	1.66	5.9	18	137	28⅛	28¼	28¼	
45⅝	37⅝	E Entergr x	1.88	4.4	16	640	38⅞	37⅞	37⅞	-1⅛
72⅞	40⅛	EastCh x	1.76	3.7	14	2251	47⅝	46½	47	+⅝
68⅞	57⅞	Evodak x	1.76	2.8	16	9542	66⅛	66⅛	66⅝	-1⅛
99⅝	57½	Eaton	1.76	2.6	13	1754	68⅛	67½	67⅞	-⅜
41¼	35⅛	EcolabInc x	0.42	1.1	34	2602	39⅝	38⅞	39⅛	+⅛
31	25	Edsnlnt	1.04	4.0	13	5453	26⅛	25⅝	25⅞	-⅛
48⅞	22⅝	EdwdAG x	0.60	1.8	11	2138	35¼	33½	33⅞	-⅞
8⅞	2⅞	Ekco Group				164	3⅞	3½	3⅞	
87⅛	48⅛	Elan ADR				18081	77⅛	74¼	75⅞	-3
38¼	19⅞	Elcor Corp	0.28	0.8	21	311	35⅞	35¼	35⅜	+⅛

[illegible]

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
88	45½	Wrigley	1.58	2.6	17	491	60⅝	59	60	+⅛
6⅝	4	Wiltshire			14	43	4¼	4⅛	4⅛	-⅛
37⅞	4⅛	WindmDu			4	3094	6½	6⅛	6⅛	+⅛
59⅛	28⅝	WinnDx x	1.02	2.6	36	2177	41⅝	39½	39⅞	-1⅛
16⅞	8¼	Winnebago	0.20	1.2	10	1190	u17½	15⅝	16	-⅛
34	25⅛	WiscEn	1.56	5.9	15	1585	26⅛	26¼	26¼	-¼
14¼	1⅛	WiserO				444	2¼	2⅛	2⅞	-⅛
49⅞	14⅝	Witco x	1.12	7.6	14	1073	14⅞	14⅝	14⅞	-⅛
15	9⅜	WMC ADR x	0.30	2.4	18	72	13	12⅞	12⅞	+⅛
30⅞	8⅛	Wolverine	0.12	1.3	8	2781	9⅞	9½	9½	-⅛
37½	29⅝	WPS Rs x	1.98	6.4	17	289	30⅝	30⅞	30⅝	-⅛
104⅛	70⅞	Wrigley	0.88	1.0	34	2454	92⅛	90¼	90⅞	-1⅛
23¼	7⅛	Wyman-Gdn	0.40	4.7	11	618	8⅞	8⅞	8⅞	-⅛
25⅞	15⅛	Wynns Int x	0.28	1.6	17	366	17⅛	16⅝	17⅛	+⅛

- X - Y - Z -

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
63	39⅛	Xerox x	0.80	1.5	21	21249	54⅞	52⅝	53¼	-⅛
83⅞	58¼	XL Cap	1.76	3.0	9	3237	58⅞	d57⅛	58	-⅛
66⅛	37½	Xtra Corp			10	448	39⅞	39¼	39⅞	-⅛
31⅛	22½	Yankee Egy x	1.38	6.0	20	142	23½	23	23	-¼
52¾	27½	York Int	0.60	1.7	10	3081	36⅛	35⅛	35⅝	+⅛
24⅞	6⅛	Zapata			3	2286	10⅛	9⅝	9⅞	+⅛
50	31	Zeneca	0.80	1.8	34	8118	44⅛	43⅞	44⅞	+1⅜
30½	20⅞	Zenith Nat	1.00	4.0	19	41	24⅞	24⅞	24⅞	-⅛
8⅛	5⅞	Zenix Inc x	0.67	11.4		436	6	5⅞	5⅞	-⅛
14⅞	8⅞	ZweigFd	1.06	10.3		379	10½	10⅝	10⅛	
9⅞	8⅛	Zweig Tot x	0.84	10.0		472	8⅝	8¼	8⅝	+⅛

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9903.55	9997.62	9879.41	9997.62 (18/3/99)	7539.07 (31/8/98)	9997.62 (18/3/99)	41.22 (8/7/32)
Home Bonds	104.49	104.44	104.69	107.17 (9/12/98)	104.13 (25/2/99)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3338.48	3435.07	3336.79	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (15/4/98)	13.23 (8/7/32)
Utilities	303.94	306.16	302.41	320.51 (8/10/98)	262.66 (9/1/98)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 88 (10080.62) Low (r) (9776.17) (Theoretical♦)
Day's high 10001.51(10001.51) Low 9845.83 (9845.83) (Actual♦)

Standard and Poors	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1299.29	1316.55	1297.82	1316.55 (18/3/99)	927.69 (9/1/98)	1316.55 (18/3/99)	4.40 (1/6/32)
Industrials♥	1559.09	1578.98	1559.78	1578.98 (18/3/99)	1077.40 (9/1/98)	1578.98 (18/3/99)	3.52 (30/6/32)
Financial♥	142.37	144.64	141.19	147.89 (14/7/98)	95.80 (8/10/98)	147.69 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	610.68	617.61	610.65	617.61 (18/3/99)	477.20 (8/10/98)	617.61 (18/3/99)	4.64 (25/4/42)
Amex Comp	711.87	714.86	715.63	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	2421.49	2462.96	2428.97	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	396.58	399.55	398.43	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

■ RATIOS

	Mar 12	Mar 5	Feb 26	Year ago
Dow Jones Ind. Div. Yield	1.60	1.59	1.67	1.63
	Mar 17	Mar 10	Mar 3	Year ago
S & P Ind. Div. yield	1.11	1.12	1.17	1.39
S & P Ind. P/E ratio	40.63	40.71	38.32	29.80

US DATA

■ MARKET ACTIVITY

● Volume (million)	Mar 19	Mar 18	Mar 17
NYSE	917.305	831.040	756.047
Amex	29.757	24.684	24.814
NASDAQ	1058.792	943.835	859.481

NYSE	Mar 19	Mar 18	Mar 17
Issues Traded	3,559	3,541	3,547
Rises	1,166	1,565	1,364
Falls	1,814	1,358	1,604
Unchanged	579	620	579
New Highs	60	48	41
New Lows	95	71	84

■ NYSE TRADING ACTIVITY — Volume : 831,974,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
AmOnLine	27,345,400	119¼	+3¼
Compaq	21,784,200	30⅝	-1½
AT&T	14,807,600	79	-3¼
PhMorr	10,623,300	41	
BosSci	9,566,200	41½	+2⅞
GenElec	9,285,800	112	+1½
Citigrp	8,789,600	64⅛	-⅛
IBM	8,345,900	168⅝	-9⅛
LucentTch	8,093,800	100⅞	-1⅛
WalMrt	5,862,200	94⅝	-3⅛

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Thrma	24⅛	+4¾	+24.4
Gucci	80½	+10½	+15.0
NuvsB	62¼	+7⅝	+13.9
CooprCo	15⅝	+1⅜	+9.2
Downs			
Pep BoysM	17⅛	-2½	-12.4
Best Buy	50⅛	-4⅛	-7.8
Brinkertnl	25¼	-2¼	-7.6
CmpSci	59⅞	-4⅞	-7.4

■ NASDAQ TRADING ACTIVITY — Volume :1,058,792,000

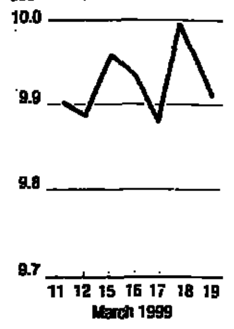
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
DellCmp	33,687,800	40¼	-2
CmbTch	32,377,900	17⅜	-9⅝
FORESy	28,347,800	17	+2½
Oracle	28,010,700	27⅜	-2⅛
NtwkAs	25,716,400	28⅛	-4⅛
Micsft	22,964,700	171⅜	-1⅛
Intel	17,641,200	119	-2⅞
CiscoSys	15,064,500	104½	-2⅝
MCIWcm	12,580,800	91½	-2⅛
Eggnead	11,488,300	19⅞	-2⅛

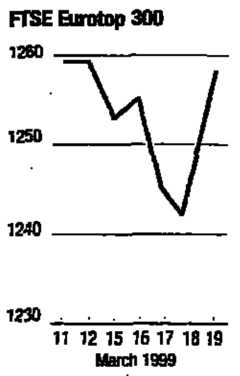
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
FORESy	17	+2½	+17.2
DoubleClic	179⅝	+22⅛	+14.0
ExodusCmun	141	+14⅛	+11.8
Realntwks	141⅛	+14⅞	+11.6
Downs			
CmbTch	11⅜	-9⅝	-45.8
Mastech	11⅜	-2⅜	-17.4
RiskCapHld	13⅝	-2⅛	-13.5
NtwkAs	28⅛	-4⅛	-13.0

Dow Jones
'000



FTSE Eurotop 300



JAPAN

	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	16378.78	15717.92	16268.11	17264.3	12880	38915.9	85.25

Day's high: 16421.81. Day's low 15804.17

■ TOKYO TRADING ACTIVITY — Volume : 887,310,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Sakura	31,099,000	386	+20
MitTrB	21,684,000	195	+19
NtnJpSc	17,375,000	300	+45
FujiBk	16,702,000	750	+35
ShokJt	16,074,000	166	-35
SumTrB	15,504,000	584	+59
SanwBk	15,343,000	143	+11
NikkoS	15,023,000	577	+45
NKK	13,965,000	81	+4
Nomura	12,446,000	1375	+74

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Tekken	197	+35	+21.6
MbStl	110	+18	+19.6
Seiyu	521	+80	+18.1
NichCp	165	+25	+17.9
Downs			
ShokJt	166	-35	-17.4
NtrChem	310	-18	-5.5
DNpTor	208	-12	-5.5
ShizBk	1290	-67	-4.9

FRANCE

	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4219.85	4152.37	4170.01	4388.48	2862.54	4388.48	984.81

Day's high: 4241.90 Day's low 4189.20

■ PARIS TRADING ACTIVITY — Volume : 868,120,340

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
FrTele	2,551,281	77.8	+2.3
EliAqu	1,815,674	127	+3.6
Ansaldr	1,710,198	32.2	+0.2
Paribas	1,440,235	103.9	+2
Axa	1,370,579	129.2	+2.1
RhonePA	1,095,093	43.9	+0.2
LVMH	1,066,418	234.2	+3
BNP	1,047,097	80.6	-0.4
Alstom	1,024,721	24.1	+1.6
TotalB	979,296	110	+0.3

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Clarin	74.5	+5.45	+7.9
Sanofi	160	+10.8	+7.2
GrdVsn	22.15	+1.49	+7.2
Alstom	24.1	+1.6	+7.1
Downs			
CastDb	177	-9	-4.8
CNP	24	-1	-4
Bygues	214	-8.5	-3.8
UnAsFd	111	-4	-3.5

GERMANY

	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	5099.48	5013.62	5077.43	6171.43	3896.08	6171.43	931.18

Day's high: 5151.01 Day's low 5055.67

■ FRANKFURT TRADING ACTIVITY — Volume : 14,087,401

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
DegHls	1,047,665	38	+1.7
Lufthn	738,858	21.8	+0.25
Siemns	724,708	62.4	+0.2
DmlrCh	534,650	86.25	+1.65
Bayer	531,356	36.35	+0.8
Dt Bk	450,095	52.7	+1.7
Commzbk	401,569	28.05	+0.35
BASF	400,607	34.8	+0.8
Metro	397,416	65	+0.55
AGIndV	354,960	17.3	+0.5

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
BrauBn	71.5	+6.3	+9.7
MAN	26.2	+1.45	+5.9
Altana	61.5	+3	+5.1
HeloZm	59	+2.8	+5.0
Downs			
Berliv	18.5	-1.5	-7.5
HnkelPf	74.05	-5.65	-7.1
Dt Bab	47.1	-3.4	-6.7
DefWrk	71	-4	-5.3

UK

	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	6183.2	6114.3	6140.6	6335.7	4648.7	6335.7	986.9

Day's high 6217.2 Day's low 6114.3

■ LONDON TRADING ACTIVITY — Volume : 1,212,300,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Shell	32,758,540	419½	+7½
BP Amoco	26,654,110	1000	-28
Centrica	26,355,010	111½	+2
M & S	24,765,700	371	-8
ICI	23,172,780	581	-6½
ASDA	21,894,940	148	+6
Belgo	20,261,070	10¼	+¼
BG	19,692,870	357½	+4½
Sth Af Brew	17,495,350	570	+19
BT	17,189,298	998½	+25½

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
PTS Grp	133½	+32	+31.5
Britannia Grp	41½	+7	+20.3
Sherwood Grp	25½	+4	+18.8
Longmead Grp	33½	+5	+17.5
Downs			
Metrolect	13	-3½	-21.2
Ass Br Eng	1	+¼	-20.0
Arlen	19½	-4	-17.0
[illegible]	[illegible]	[illegible]	-12.6

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	1303.70	1309.50	-21.70	1338.50	1308.00	109,132	358,296
Sep	1347.00	1322.10	-21.90	1347.00	1319.40	218	4,562
■ Nikkei 225							
Jun	16020.0	16350.0	+570.0	16390.0	15920.0	38,802	202,600
Sep	15890.0	16300.0	+410.0	16300.0	15890.0	112	3,493

Open interest figures for previous day

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	4187.0	4232.0	+77.0	4258.0	4187.0	61,431	138,772
Apr	4202.0	4235.0	+77.0	4253.0	4202.0	889	8,689
■ DAX							
Mar	5089.0	5183.3	+69.0	5115.0	5068.0	28,145	210,400
Jun	5095.0	5135.5	+78.9	5184.5	5095.0	48,358	234,689

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	712.00	720.00	+14.50	721.25	711.00	21,003	103,667
Apr	711.25	718.25	+17.25	720.00	711.25	4,978	20,829
■ EUREX							
Mar	7255.0	7206.6	+51.0	7274.0	7255.0	2,183	81,188
Jun	7233.0	7136.0	-73.0	7250.0	7106.0	18,316	98,571

WORLD MARKETS AT A GLANCE

Country	Index	Mar 19	Mar 18	Mar 17	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	17267.64	17599.48	17400.71	23485.50 23/3/98	12303.10 10/9/98	3.9	13.9
Shadowed the Dow's ups and downs. Turnover swelled to 33.4m pesos.								
Australia	All Ordinaries	2984.5	2967.7	2977.8	2992.20 16/3/99	2458.20 1/9/98	2.8	23.7
	All Mining	573.8	574.6	580.6	713.10 23/4/98	499.89 31/8/98		
Selectively higher in sympathy with Wall Street gains on Thursday. Banks outpaced while telecoms and golds eased.								
Austria	ATX Index	1205.19	1197.43	1202.82	1628.56 26/5/98	982.06 1/10/98	2.0	13.0
Regained lost territory to close higher. Lingerie manufacturer Wolford led the pack, settling 3.7 per cent ahead.								
Belgium	BEL20	3322.49	3315.17	3342.52	3681.92 6/1/99	2357.78 10/1/98	1.6	21.3
Closed slightly higher after last-minute weakening across the board. Traders attributed fall to derivatives expiry.								
Brazil	Bovespa	10836.0	10894.0	10635.0	12298.00 15/4/98	4761.00 10/9/98	na	na
Investors took profits after week of stellar gains. Eletrobras was the worst performing blue chip, falling 1.7 per cent.								
Canada	TSE 100♦	401.18	400.32†	401.61	475.63 25/5/98	324.91 5/10/98	1.7	18.7
	Metals Mins♦	3291.32	3269.36	3229.10	4390.01 10/3/98	2500.19 31/8/98		
	TSE300Comp♦	6598.80	6586.44†	6593.82	7822.30 22/4/98	5335.70 5/10/98		
	Portfolio§§	3518.24	3495.30	3497.42	3965.81 25/5/98	2719.24 5/10/98		
Climbed in volatile trade on tripple witching day.								
Chile	IGPA Gen♥	4017.86	3989.38	3981.81	4861.95 17/3/98	2980.95 14/9/98	3.1	13.2
Stronger on back of ADRs. ADR index ended 1.52 per cent better.								
China	Shanghai B	24.20	24.39	22.40	59.58 10/2/98	21.38 9/3/99	1.5	27.5
	Shenzhen B	47.50	47.57	46.64	98.97 10/2/98	41.56 10/3/99		
Hard-currency shares consolidated Thursday's sharp gains while rumours spread of a possible interest rate cut.								
Colombia	IBB	931.43	921.14	921.14	1431.46 7/1/98	776.17 14/10/98	na	na
Czech Republic	PX 50	379.5	373.1	375.7	517.30 23/3/98	316.00 8/10/98	na	na
Outshone other European markets despite expectations of poor fourth-quarter gross domestic product due today.								
Denmark	CopenhagenSE	588.68	578.75	575.19	770.84 7/4/98	565.51 16/3/98	1.8	17.7
Closed higher but off highs as fourth consecutive rally pulled market up from its earlier trough.								
Egypt	Cairo SE Gen	(c)	446.39	445.15	447.82 1/2/99	345.40 2/2/98	na	na
Moved slightly lower in quiet trading with domestic and foreign investors sidelined ahead of Moslem holiday.								
Finland	Hex General	6320.67	6179.40	6254.67	6418.28 11/3/99	3220.43 12/1/98	1.7	23.9
Outperformed main European markets but posted loss on the week, with main index still 98 points below historic high.								
France	SBF 250	2861.26	2827.40	2637.14	2798.73 17/7/98	1873.10 12/1/98	2.2	21.2
	CAC 40	4219.65	4152.37	4170.01	4388.48 17/7/98	2862.54 12/1/98		
Ended higher on stronger luxury goods stocks. Pinault-Printemps ends 2.95 per cent ahead on news of its bid for Gucci.								
Germany	FAZ Aktien	1635.71	1599.34	1619.99	1840.80 20/7/98	1250.58 2/10/98	1.4	19.8
	DAX‡	5099.48	5013.62	5077.43	6171.43 20/7/98	3896.08 8/10/98		
Ended choppy day higher after triple-witching options and futures expiry unsettled market at midsession.								
Greece	Athens General	3774.29	3660.26	3630.82	3774.29 19/3/99	1380.13 29/1/98	1.3	30.0
	FTSE/ASE 20	2350.63	2267.34	2247.37	2350.63 19/3/99	755.18 29/1/98		
Ended day at new record high on healthy buying in blue chips ahead of tender for 51 per cent of Ionian Bank this week.								
Hong Kong	Hang Seng	11082.92	10659.32	10940.07	11810.60 25/3/98	6660.42 13/8/98	3.2	16.1
	HSCC Red Chip	813.66	804.60	809.37	1775.08 27/2/98	576.07 1/9/98		
Hopes of local interest rate cut and strong overseas markets helped drive shares to 11-month highs.								
Hungary	Bux	5606.74	5489.80	5717.77	9016.36 23/4/98	3776.02 21/9/98	na	na
Closed higher, bolstered by gains in other European centres.								
India	BSE Sens.	3672.63	(c)	3672.71	4280.98 21/4/98	2764.16 20/10/98	na	na
	S & P CNX 500	746.46	755.27	741.94	815.62 21/4/98	557.68 20/10/98		
Shares mixed with weak bias on institutional selling.								
Indonesia	Jakarta Comp.	394.21	(c)	387.88	554.10 2/2/98	256.83 21/9/98	8.5	22.0
Benefited from follow-through buying in wake of recent banking reforms and IMF letter of intent.								
Ireland	ISEQ Overall	5381.15	5297.67	(c)	5471.61 21/4/98	3745.11 8/10/98	2.0	19.6
Heavy demand for Bank of Ireland and Allied Irish Banks enabled market to post strong late gains.								
Israel	Tel Aviv 100	(c)	338.85	339.24	339.24 15/3/99	249.19 8/10/98	na	na
Closed slightly lower on profit-taking, with Wall Street's decline late last week weighing on sentiment.								
Italy	BCI Comit 30	372.20	370.04	366.43	388.60 20/7/98	248.51 9/10/98	2.0	25.9
	Banca Com Ital	1588.14	1558.63	1568.55	1654.36 7/4/98	1083.98 9/10/98		
	Mibtel General	25238.0	25087.0	24890.0	26377.00 6/4/98	16761.00 9/10/98		
Stocks ended well off highs, but still supported by strong gains in banks and other blue chips.								
Japan	Nikkei 225	16378.78	15717.92	16268.11	17264.30 2/3/98	12880.00 9/10/98	0.8	60.1
	Nikkei 300	255.66	247.25	253.74	257.43 10/2/98	192.30 9/10/98		
	Topix	1269.76	1231.24	1260.09	1300.30 10/2/98	980.11 15/10/98		
	2nd Section	1487.90	1464.04	1464.57	1487.90 19/3/99	1028.84 13/10/98		
Rebounded aggressively with a firmer yen as hopes of economic recovery kept buyers active.								
Jordan	Amman SE	(c)	181.87	182.86	185.25 8/3/99	198.48 18/11/98	na	na
Malaysia	KLSE Comp.	513.91	515.34	511.85	745.36 27/2/98	282.70 1/9/98	2.8	14.5
Broadly lower in thin turnover with indices' decline restricted by a 6.1 per cent jump in Commerce Asset.								
Mexico	IPC	4784.33	4864.80	4855.17	5204.00 2/1/98	2858.10 10/9/98	1.1	16.6
Reversed early-trading gains on profit-taking amid quiet trading ahead of week-end.								
Morocco	CASA	804.08	804.73	797.42	883.98 1/9/98	866.57 21/1/98	na	na
Shares pulled higher by gains in leading companies such as conglomerate ONA Group.								
Netherlands	CBS TtlRtnGen	1351.7	1330.1	1329.8	1493.08 20/7/98	974.90 8/10/98	2.1	27.0
	CBS All Shr	792.2	740.2	740.0	845.00 27/7/98	546.10 8/10/98		
Blue chips pushed higher, bolstered by short covering after expiry of March options.								
New Zealand	Cap. 40	2152.85	2141.43	2169.91	2350.82 30/3/98	1668.24 2/10/98	5.1	21.7
Telecom edged higher while healthy gains were recorded in Lion Nathan, Carter Holt Harvey and Progressive Enterprises.								
Nigeria	SE All-Share	5427.42	5412.32	5424.40	6504.87 11/3/98	2236.48 12/1/98	na	na
Closed higher, boosted by rising shares in Nigerian Breweries. Stocks in company rose 4.8 per cent.								
Norway	Oslo SE Ind	1839.01	1820.67	1818.22	2370.68 4/5/98	1359.78 8/10/98	2.3	11.9
Strength in Norsk Hydro, in spite of weak oil prices, attributed to firm prices in other commodity markets.								
Pakistan	KSE-100	1050.87	1054.93	1060.76	1746.31 2/1/98	785.23 14/7/98	na	na
Hubco eased after judge gave it and state utility Wapda until today to set timeframe to settle tariff row out-of-court.								
Peru	Lima Gen	1464.62	1452.64	1440.06	1903.91 4/5/98	1199.50 21/9/98	na	na
Up in moderate volume tracking Wall Street. Investors chasing Telefonica del Peru.								
Philippines	Manila Comp	2005.48	2024.06	1982.79	2311.42 25/3/98	1082.18 11/9/98	1.3	14.6
Pulled back sharply from intraday high of 2,045.83 amid lingering economic uncertainties.								
Poland	Wig	13899.4	13705.2	13651.4	18582.70 11/3/98	10473.70 9/10/98	2.1	11.5
BIG Bank Gdanski jumped more than 25 per cent, taking rise since start of month to 60 per cent amid takeover talk.								
Portugal	BVL 30	4421.38	4370.65	4464.96	6175.29 22/4/98	3599.08 2/10/98	2.3	23.9
	PSI 30	10187.07	10063.08	10262.06	14253.00 22/4/98	8114.51 2/10/98		
Portugal Telecom and mobile phone concern Telecel rose strongly, driven up by foreign demand.								
Russia	RTS	85.70	84.52	90.02	411.61 5/1/98	38.53 5/10/98	na	na
Market ended with modest gains to wrap up turbulent week of trade at prices well off year's highs.								
Singapore	SES All-S'pore	390.77	391.57	392.61	437.98 19/3/98	253.20 4/9/98	2.1	20.9
	Straits Times	1472.99	1456.07	1470.16	1698.75 19/3/98	805.04 4/9/98		
Financials outpaced as rises doubled falls.								
Slovakia	Sax	83.16	82.70	82.59	182.48 5/1/98	81.40 3/3/99	na	na
Gains in oil refiner Slovnaft provided support to market.								
South Africa	JSE All Share	6574.9♥	6479.6	6519.9	8358.70 20/4/98	4694.40 11/9/98		
	JSE Gold	[illegible]	914.2	930.8	1310.60 8/10/98	672.69 18/3/98		
	JSE Indl	7711.0♥	7542.6	7583.4	9942.78 20/4/98	5246.90 11/9/98		
Stocks posted surprisingly strong run on back of short covering and heavy foreign demand.								
South Korea	KoreaCmpEx	604.22	578.98	600.52	640.95 11/1/99	280.00 16/6/98	1.0	38.3
Banks surged 8.1 per cent as shares moved briskly higher in moderate volumes.								
Spain	Madrid SE	893.69	890.56	897.34	947.82 17/7/98	642.29 5/10/98	1.9	21.2
Market pared earlier gains as expiry of Ibex index futures contract prompted cash market selling.								
Sri Lanka	CSE All Share	531.93	529.91	532.41	789.70 4/5/98	461.00 3/9/98	na	na
Retail demand for plantation sector lifted market.								
Sweden	AffarsvardnGen	3414.2	3352.0	3412.6	3955.60 20/7/98	2411.70 8/10/98	1.9	30.1
Shares prices climbed steadily and were trading higher when technical problems halted business.								
Switzerland	SMI Index	7308.3	7195.7	7201.8	8412.00 21/7/98	5126.50 5/10/98	1.4	23.8
	SPI General	4580.94	4565.35	4580.55	5237.39 20/7/98	3311.28 5/10/98		
Shares edged ahead in relatively high volume of SFr[illegible] after the expiry of Eurex options.								
Taiwan	Weighted Pr	6997.29	6895.01	6757.67	9277.98 3/3/98	5474.79 5/2/99	1.4	21.7
Drove higher on heavy volumes of T$156bn. Financials gained 0.6 per cent and electronics rose 0.7 per cent.								
Thailand	Bangkok SET	367.69	362.91	350.60	558.92 3/2/98	207.31 4/9/98	0.9	7.8
Lifted on active turnover of Bt6.4bn. Rises beat falls by more than 7 to 4.								
Turkey	IMKB Nat 100	4308.35	4169.87	4067.84	4530.99 16/7/98	1852.28 8/10/98	2.9	18.0
Sentiment was boosted by expectations that elections would go ahead as scheduled next month.								
Venezuela	IBC	3971.75	3971.75	3982.31	7656.32 23/3/98	2694.70 10/9/98	na	na
Zimbabwe	ZSE Industrial	8625.28	8702.44	8600.91	8795.71 31/3/98	5441.85 1/2/98	na	na
Sellers emerged to take profits after four strong days but analysts said the outlook still looked positive.								
WORLD	FT/S&P World(S)	320.38	319.65	319.37	320.53 18/3/99	242.36 5/10/98	na	na
	MS Capital IntS	1206.7	[illegible]	1195.0	1206.70 19/3/99	888.50 12/1/98	na	na
CROSS-BORDER	DJ Stoxx 50	3593.47	3536.27	3555.57	3670.82 20/7/98	2433.07 8/10/98		
	DJ Euro Stx 50	3623.05	3579.21	3569.76	3885.36 6/1/99	2419.23 8/10/98		
	FTSE E300	1253.10	1242.45	1245.85	1327.68 20/7/98	893.55 5/10/98		
	FTSE E100	2911.04	2877.72	2885.57	3066.91 20/7/98	2049.91 8/10/98	na	na
	HSBC Drgs	[illegible]	231.46	225.42	273.91 26/3/98	161.71 5/10/98	na	na
	ING Bmgs Emrg	124.67	122.49	[illegible]	124.67 19/3/99	85.64 11/9/98	na	na

** Sat Mar 13. Taiwan Weighted Price (c) §§ Montreal ♦ Toronto (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Mar 19 - 5109.75 +82.36. † Correction. * Calculated at 15.00 GMT ● Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation. ☘ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Midsession.

THE NASDAQ-AMEX MARKET GROUP

4 pm close March 19

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX

4 pm close March 19

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EASDAQ

Company	Mid price	Change on day	Vol	Company	Mid price	Change on day	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GUIDE TO THE WEEK

MONDAY 22

Tackling human rights

The United Nations Human Rights Commission begins its annual six-week session in Geneva to review human rights and fundamental freedoms around the world. The 53-member commission will hear a depressing catalogue of abuses but can do little more than give them a public airing. Nevertheless, countries do not like being the subject of critical resolutions: China is again battling hard to stop one being tabled by the US and European Union. Human rights groups criticise the commission for being too politicised, enabling some egregious offenders to escape censure.

The world's water

"Everyone lives downstream" is the theme of World Water Day. According to the UN, as many as half the populations of developing countries are suffering from diseases caused by unsafe water or by organisms that breed in water, such as diarrhoea and malaria. Nor is the problem confined to poor nations. An estimated one in seven Europeans does not have access to safe water, especially in former communist countries, and "medieval" diseases such as cholera and typhoid are staging a comeback.

Enersis countdown

The countdown starts on a second attempt by Endesa, Spain's leading power group, to gain outright control of Enersis of Chile, its main investment target in Latin America. Enersis stockholders, including US funds owning Enersis capital in the form of American Depositary Receipts, have until 3pm New York time on March 29 to back a change in Enersis' bylaws that will allow Endesa to raise its stake in the company from 32 to 64 per cent through a $1.45bn (£880m) tender offer. Last month Endesa failed by only one percentage point to gain the required 75 per cent majority for the statutory change.

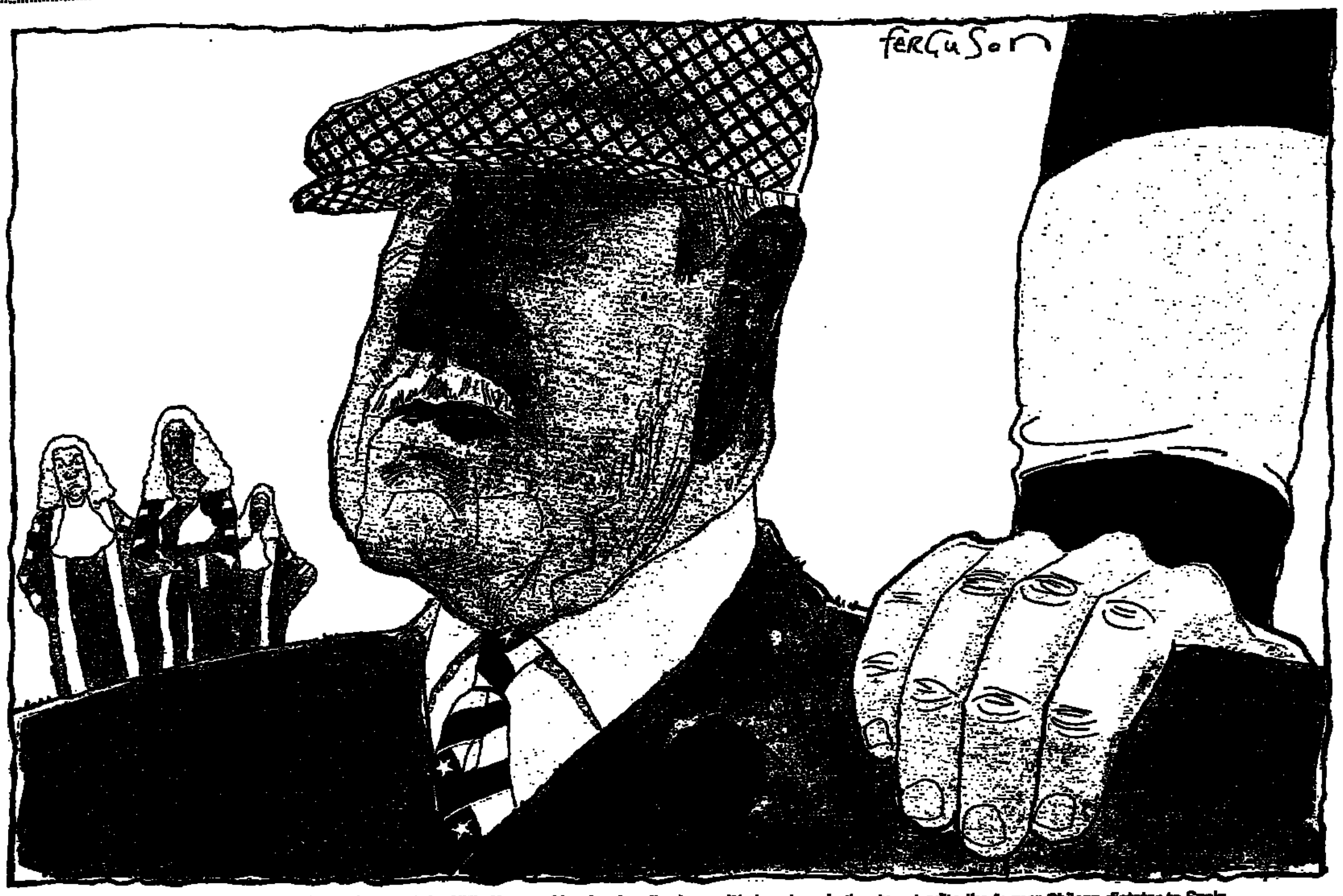
Art from Asia

New York looks to the Asian arts this week. Sotheby's New York and Christie's will both be holding sales during the week that will include

paintings and furniture from India, south-east Asia, China and Japan. Sotheby's will be offering more than 2,000 lots over four days. There will also be an International Asian Arts Fair in the city from March 25-30.

Foreign ministers meet

European Union foreign ministers meet in Brussels for their last meeting before a heads of state summit on Wednesday aimed at agreeing budgetary reform. Topics for discussion include negotiations on a trade agreement with South Africa and relations with the US.



The fate of General Augusto Pinochet lies in the hands of the UK's House of Lords when it rules on Wednesday whether to extradite the former Chilean dictator to Spain

Holidays

Japan, Colombia, S Africa, Albania

FT survey

Switzerland

TUESDAY 23

Opec meets on cuts

Oil ministers from the Organisation of Petroleum Exporting Countries are due to give details of the latest production cuts at a meeting in Vienna. Last week Youcef Yousfi, the Algerian oil minister and Opec's president, said total Opec cuts under the latest production restraint plan amounted to 1.7m barrels a day, while non-Opec states would contribute an additional 400,000 b/d.

Arafat due to visit US

Yasser Arafat, the Palestinian leader, is scheduled to visit Washington to meet US president Bill Clinton, Madeleine Albright, the US secretary of state, and other senior officials. Palestinian officials have said that Mr Arafat might consider delaying declaration of a state in the West Bank and Gaza Strip if Europe and the US promised to recognise Palestinian statehood at a later date. Washington has advised Mr Arafat to delay the declaration.

Primakov in debt talks

Yevgeny Primakov, the Russian prime minister, is due to fly to Washington for talks with Al Gore, US vice-president, and the International Monetary Fund. Talks will centre on the Russian debt crisis. The Russian media has portrayed the trip as a make-or-break event in Mr Primakov's six-month premiership.

Holiday

Pakistan

FT surveys

Investing in South Africa; Stocks and Derivatives Exchanges

WEDNESDAY 24

EU budgetary reform

European Union heads of state meet in Berlin for the first time since the resignation en masse last week of the European Commission over allegations of nepotism and mismanagement. It is possible they will name a successor to Jacques Santer, commission president, but Germany wants to concentrate efforts on budgetary reform and may leave the new appointment to a second summit shortly afterwards.

The budgetary reform, aimed at allowing the EU to enlarge to the east, centres on how member states pay towards the costs of running the union, farm subsidies and regional aid. Agriculture ministers have agreed on a package of farm reform but heads of government may want further savings in order to stabilise spending.

There is pressure for a freeze on regional aid spending. The debate on budget contributions will focus on a desire by Germany, the Netherlands, Sweden and Austria to cut their spending. The UK says its budget rebate, negotiated by former premier Margaret Thatcher, is not for negotiation, although other countries are determined to seek concessions from Britain.

Pinochet judgment

The long-awaited judgment by the House of Lords, the UK's most senior court, on the case involving General Augusto Pinochet, the former dictator of Chile, is due to be made known today. The court is due to rule on whether the general should be granted immunity from prosecution for alleged crimes against humanity or be extradited to Spain to stand trial.

The judgment is widely regarded as a test case of international human rights law. The Spanish authorities are seeking Gen Pinochet's extradition from the UK to face charges of torture, hostage taking and conspiracy to murder during his rule in the 1970s and 1980s. If the Lords rules in Gen Pinochet's favour, it is expected he will be flown back to Chile within a matter of hours.

Finnish poll result

Finland's election boards are scheduled to announce the results of the general election held on March 21. The campaign was described as lacklustre, although last week polls suggested that the mood was swinging against prime minister Paavo Lipponen's Social Democrats. The SDP leads the "rainbow coalition", the five-party administration. One thing, however, seems certain: the outcome will be another multi-party coalition government.

FT surveys

FT-IT: Solutions for Electronic Business; Cuba

THURSDAY 25

Daley's mission

William Daley, the US commerce secretary, is due to arrive in South Korea (until March 28) for discussions about trade and business. He will be accompanied by executives from US companies. Mr Daley will travel to China on March 28 where he is expected to meet high-level officials for discussions on the economic downturn, trade – a contentious issue – and the forthcoming visit of Zhu Rongji, the Chinese premier, to Washington in April.

Holidays

India (Bombay and Delhi), Cyprus

FRIDAY 26

Weapons ban plea

President Jiang Zemin of China addresses the United Nations disarmament conference in Geneva on the last day of its current session. Mr Jiang, who is on a three-nation European tour, is expected to repeat China's call for the conference to negotiate a ban on weapons in outer space. China is bitterly opposed to deployment of a US-backed missile shield in Asia protecting Japan, South Korea and possibly Taiwan from missile attack. Russia has also objected to the plan which it says is in breach of a 1972 missile defence treaty.

Drug patent talks

Public health and consumer groups, governments, pharmaceutical companies and international bodies, including the World Trade Organisation and World Health Organisation, meet in Geneva to discuss the controversial issue of compulsory licensing of pharmaceuticals patents. The meeting, organised by Médecins Sans Frontières and two other non-governmental organisations, will focus on the Aids epidemic in developing countries and other instances where patients have little or no access to patented drugs.

Sevens kick off

Twenty four teams will compete in the gruelling Hong Kong Sevens rugby tournament (to March 28), including Australia, New Zealand, France, Scotland and Samoa.

SUNDAY 28

Cuban home run

US major league baseball returns to Cuba for the first time in 40 years with the appearance there of the Baltimore Orioles. The US team will take on the Cuban national team in Havana. The

last games played in Cuba by US major league teams were in 1959, shortly after President Fidel Castro's revolution.

Compiled by Bob Vincent
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ECONOMIC DIARY

Other economic news

Monday: Growth in US durable goods orders is thought to have slowed in February following a robust increase over the previous three months. The UK's current account is thought to have moved back into the red in the fourth quarter.
Tuesday: Industrial production in Italy is thought to have rebounded in January. UK inflation is forecast to have dropped a little in February.
Wednesday: German consumer prices are forecast to have been flat in March.
Thursday: Existing home sales in the US are thought to have drifted a little lower from their high levels last month. Consumer price inflation in the Tokyo area is thought to have remained around zero in February. German producer prices are projected to have continued falling in February. French consumer spending is forecast to have fallen in February, while the trade surplus narrowed in January.
Friday: Economic growth in Denmark is thought to have slowed in the fourth quarter, following the sharp bounce back in the third.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Q4 final GDP***	0.2%	0.2%
Mar 22	UK	Q4 final GDP**	1.3%	1.3%
	UK	Q4 current account	-£1.5bn	£2.3bn
	EMU	Jan PPI*	-0.3%	-0.3%
	EMU	Jan PPI**	-2.6%	-2.5%
	Canada	Jan retail sales†*	0.5%	-0.3%
Tue	Italy	Jan industrial production†*	4.3%	-5.4%
Mar 23	Italy	Jan industrial production**		-4.0%
	Italy	Jan quarterly unemployment	12.3%	12.6%
	UK	Feb RPI*	0.3%	-0.6%
	UK	Feb RPI**	2.2%	2.5%
	UK	Feb RPIX**	2.5%	2.6%
	UK	Feb EU harmonised CPI		1.6%
	US	BTM-Schroders, March 20		0.2%
	US	Redbook, March 20		0.5%
Wed	UK	Jan global visible trade	-£2.7bn	-£2.2bn
Mar 24	UK	Feb ex-EU visible	-2.0bn	-2.2bn
	US	Feb durable orders	-1.5%	3.9%
	US	Feb durable shipments		unch
Thur	France	Jan trade balance†	FFr15.0bn	FFr17.2bn
Mar 25	France	Feb CPI final*	-0.3%	-0.3%
	France	Feb CPI final**	0.2%	0.2%
	France	Feb household consumption†*	-1.9%	3.6%
	Italy	Jan EU trade balance	L200bn	-L1,000bn
	Italy	Feb ex-EU trade balance	L2,000bn	-L300bn
	EMU	Feb harmonised CPI*	0.2%	-0.1%
	EMU	Feb harmonised CPI**	0.8%	0.8%
	Norway	March unemployment rate	2.6%	2.7%
	US	Initial claims March 20	298,000	298,000
	US	State benefits, March 13		2,187,000
	US	Feb existing home sales	5.00m	5.07m
	US	M1 – week ended March 15	$2.8bn	-$9.4bn
	US	M2 – week ended March 15	$3.9bn	-$14.5bn
	US	M3 – week ended March 15	$7.1bn	-$29.7bn
Fri	Aust'lia	Feb motor vehicle registrations	0.0%	-3.4%
Mar 26	Japan	Mar CPI** (Tokyo)		-0.2%
	Japan	Mar CPI ex-perishables**		-0.1%
	Japan	Feb CPI** (Nation)		0.2%
	Japan	Feb CPI ex-perishables**		-0.1%
	US	Mar Mich sentiment fin	105.5	104.7
	Italy	Jan hourly wages**		2.2%
	Canada	Feb industrial production PI*	-0.2%	-0.3%
During the week...				
	Germany	Feb Ifo manufacturing survey balance		-8.1
	Germany	Feb import prices*	0.0%	0.0%
	Germany	Feb import prices**	-5.7%	-5.9%
	Japan	Mar trade balance (1st 10 days)		Y142bn
	Japan	Feb supermarket sales**		-4.2%
	Japan	Feb department store sales**		-1.5%

*month on month, **year on year, *** q on q. †seasonally adjusted. Statistics, courtesy Standard & Poor's MMS.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 21.03.99 / Final Prices for Trading on 21.02.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.51	24.26	24.33	1.16
0100	19.06	24.26	24.33	1.16
0130	20.00	24.26	24.33	1.16
0200	20.00	24.26	24.33	1.16
0230	19.06	9.26	9.26	0.00
0300	19.06	9.23	9.23	0.00
0330	9.51	9.23	9.23	0.00
0400	9.50	8.50	8.50	0.00
0430	9.43	8.00	8.00	0.00
0500	9.43	8.00	8.00	0.00
0530	9.50	8.00	8.00	0.00
0600	9.50	7.00	7.00	0.00
0630	9.50	7.00	7.00	0.00
0700	9.50	8.00	8.00	0.00
0730	9.50	8.00	8.00	0.00
0800	9.50	8.00	8.00	0.00
0830	9.50	7.00	7.00	0.00
0900	9.50	7.00	7.00	0.00
0930	13.46	9.26	9.26	0.00
1000	13.46	14.44	14.51	1.16
1030	11.81	14.44	14.51	1.16
1100	17.82	23.73	23.80	1.16
1130	18.86	28.23	28.30	1.16
1200	19.11	23.73	23.80	1.16
1230	30.00	23.50	23.57	1.16
1300	30.00	28.00	28.07	1.16
1330	19.11	28.00	28.07	1.16
1400	10.60	23.50	23.57	1.16
1430	9.51	14.44	14.51	1.16
1500	9.51	14.44	14.51	1.16
1530	9.50	14.44	14.51	1.16
1600	9.50	14.44	14.51	1.16
1630	9.50	14.44	14.51	1.16
1700	9.50	14.44	14.51	1.16
1730	9.51	14.44	14.51	1.16
1800	10.35	16.54	16.61	1.16
1830	18.88	31.85	31.92	1.16
1900	[illegible]	[illegible]	[illegible]	1.16
1930	[illegible]	[illegible]	[illegible]	1.16
2000	[illegible]	[illegible]	[illegible]	1.16
2030	[illegible]	[illegible]	[illegible]	1.16
2100	[illegible]	[illegible]	[illegible]	1.16
2130	[illegible]	[illegible]	[illegible]	1.16
2200	[illegible]	[illegible]	[illegible]	1.16
2230	[illegible]	[illegible]	[illegible]	0.00
2300	[illegible]	[illegible]	[illegible]	1.16
2330	[illegible]	[illegible]	[illegible]	0.00
2400	[illegible]	[illegible]	[illegible]	0.00

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 22.03.99 / Final Prices for Trading on 22.02.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	17.83	9.26	9.26	0.00
0100	17.83	9.26	9.26	0.00
0130	17.83	9.26	9.26	0.00
0200	17.83	9.26	9.26	0.00
0230	17.83	9.25	9.25	0.00
0300	17.83	9.25	9.25	0.00
0330	17.83	9.25	9.25	0.00
0400	17.83	9.26	9.26	0.00
0430	14.00	22.44	22.88	0.98
0500	9.51	22.44	22.88	0.98
0530	9.28	14.00	14.00	0.00
0600	9.29	14.00	14.00	0.00
0630	9.29	19.75	20.19	0.98
0700	14.70	20.13	20.57	0.98
0730	27.14	20.13	20.57	0.98
0800	21.34	19.97	20.42	0.98
0830	27.40	41.08	41.53	0.98
0900	40.74	45.28	45.73	0.98
0930	40.84	45.29	45.74	0.98
1000	40.91	46.15	46.60	0.98
1030	40.81	46.15	46.61	0.98
1100	26.53	46.15	46.61	0.98
1130	28.61	49.69	50.15	0.98
1200	27.88	56.71	57.18	0.98
1230	31.14	56.71	57.18	0.98
1300	31.04	58.70	57.18	0.98
1330	27.82	54.76	55.20	0.98
1400	27.83	49.87	50.32	0.98
1430	27.82	49.87	50.32	0.98
1500	26.94	49.87	50.32	0.98
1530	25.87	48.13	48.58	0.98
1600	24.43	48.13	48.58	0.98
1630	28.13	48.14	48.59	0.98
1700	32.09	56.74	57.21	0.98
1730	32.19	68.97	69.64	0.98
1800	32.98	69.50	70.51	0.98
1830	41.20	69.66	70.51	0.98
1900	69.84	69.21	69.61	0.98
1930	69.33	59.85	60.40	0.98
2000	65.73	59.61	60.09	0.98
2030	38.85	59.53	59.98	0.98
2100	30.91	59.52	59.97	0.98
2130	30.81	56.67	57.11	0.98
2200	19.82	56.66	57.11	0.98
2230	21.52	24.74	25.19	0.98
2300	23.87	24.74	25.19	0.98
2330	23.87	24.74	25.19	0.98
2400	14.00	8.48	8.48	0.00

MONDAY PRIZE CROSSWORD

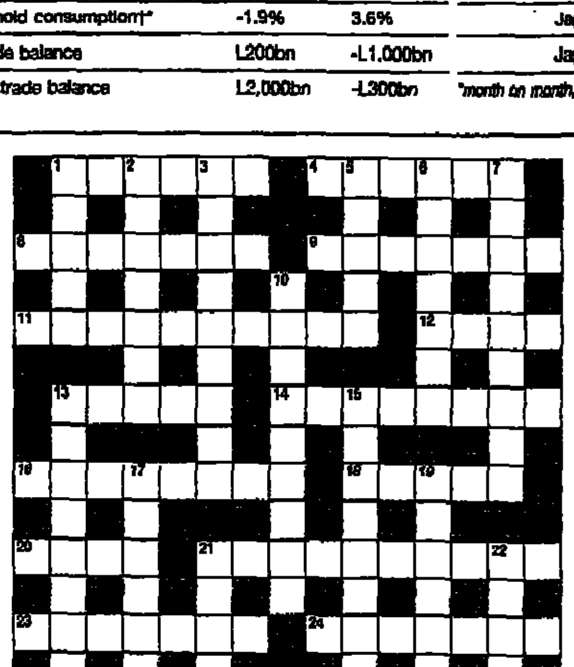
No.9,944 Set by DANTE

ACROSS

1 Bitter admission by female doctor (6)
4 Union members' oratory (6)
8 Naive as Jack Dawkins before Fagin's training (7)
9 Declare intention of entering the journalistic world (7)
11 Pamper those preferring "down under" for retirement? (7-3)
12 Listener and learner in the Lords (4)
13 Peer, but find nothing in store (5)
14 Avoid a tackle from the team and stride on (6)
16 Even when it's wired correctly, it can still shock (8)
18 Lady in Mother's Union (5)
20 Miss spring (4)
21 Wholesome belief I can spread around (10)
23 Made to feel small? (7)
24 Unusually stout doctor admitted to be way out (7)
25 Nodding acquaintance? (3-3)
26 It comes to something when Dad's upset and out of bed (4,2)

DOWN

1 Boxer, for example, has gym equipment (5)
2 Heavens, what a cast! (3-4)
3 Oriental writer held in regard (9)
5 I'd become involved with her and become engaged (5)
6 Trains for smokers? (7)
7 Lear's wry smile is bright and penetrating (5,4)
10 Having a low place to live brings humiliation (9)
13 Escape for a holiday abroad (5,4)
15 Surprise someone more than he can say? (9)
17 Premise for breaking rules (7)
19 A thousand spaced out in deserts (7)
21 Bread-round in Dutch city (5)
22 A bluff upstanding moralist (5)



Winner of Puzzle No.9,932: Emma Bennett, Solihull

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday April 1, marked Monday Crossword 9,944 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 5. Please allow 28 days for delivery of prizes.

Name...

Address..

....

Solution 9,932

```
SALLOW TWOTIMES
Q A B   E A O A
UPSETS READJUST
A T U C P P N I
WORKSHOP ROUTES
K I E P G L   F
SETS APPARENTLY
  E A E N S H
PASTCARING BEAR
I   I S E U S E
CLOUDS STANDARD
K Z T S S D U H
SHOWEDUP SOURCE
U N S N   N U A
PRESTIGE VERSED
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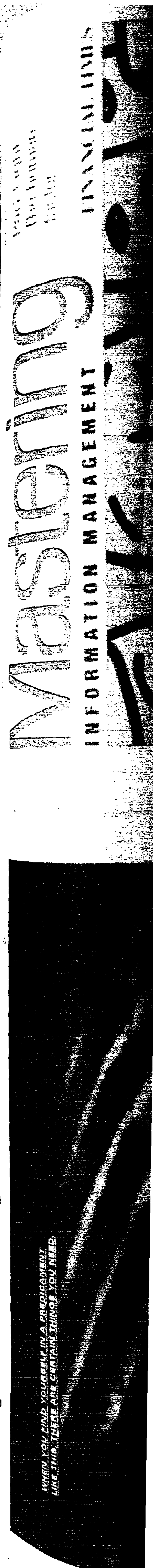
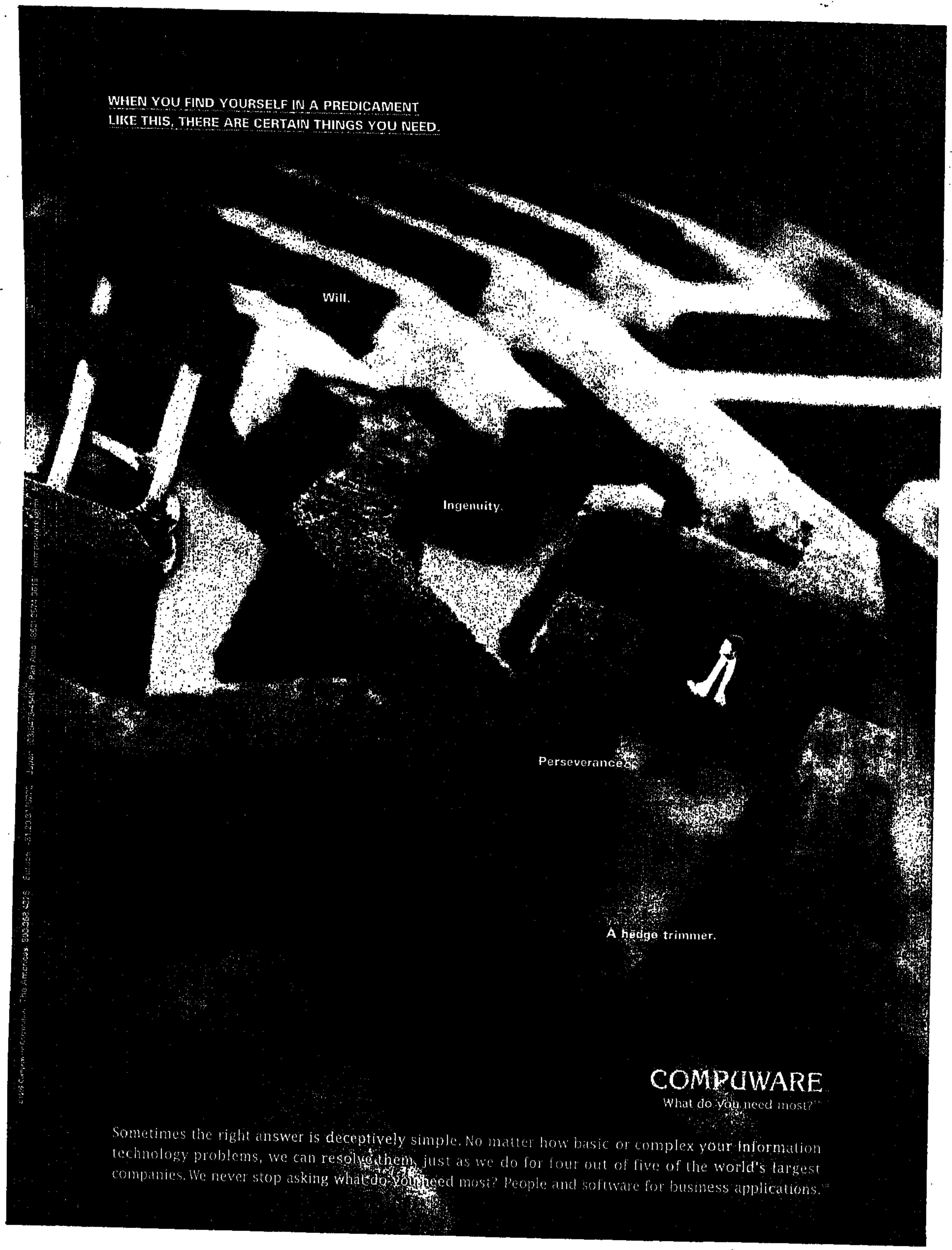
JOTTER PAD



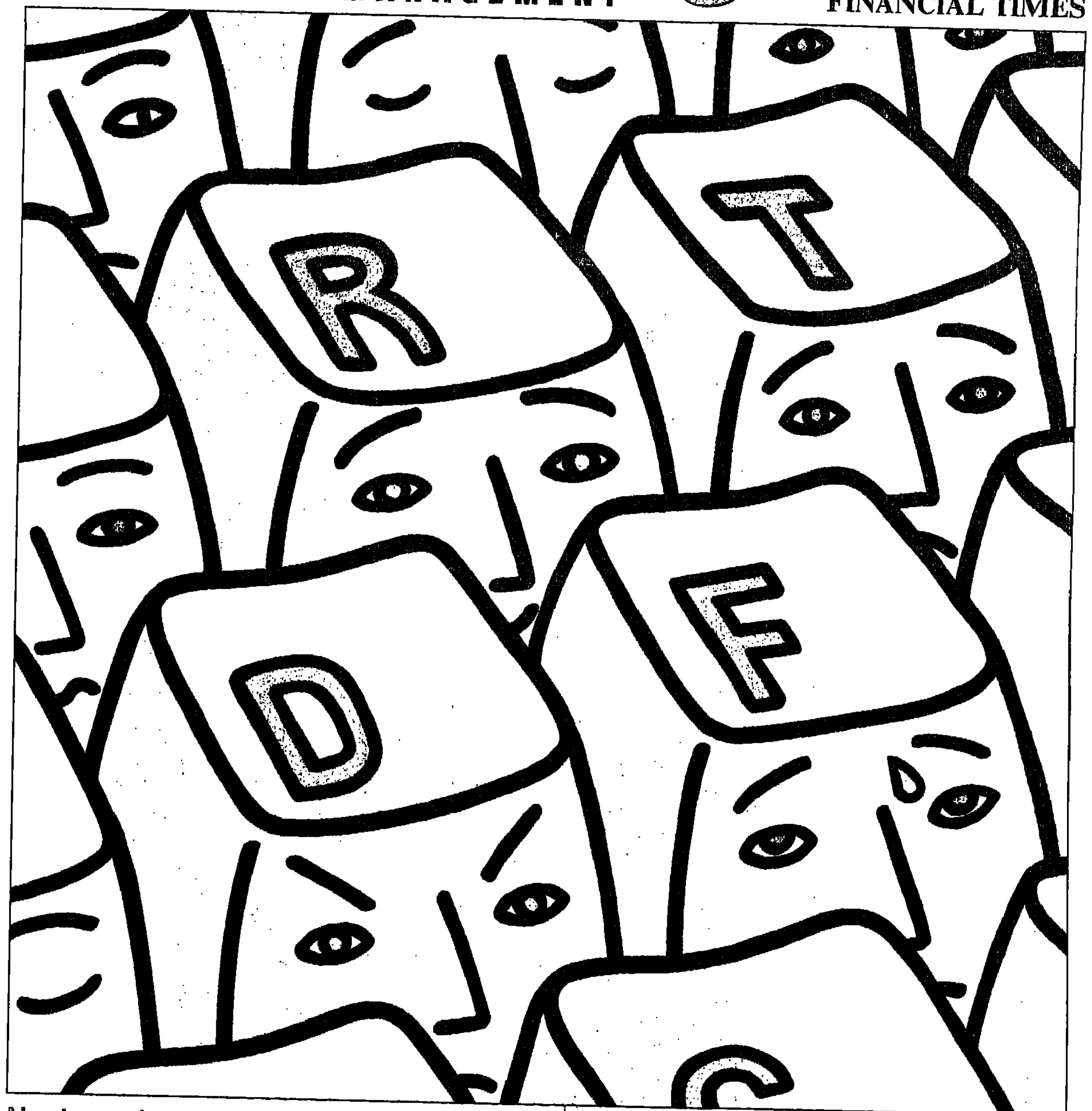


Mastering
INFORMATION MANAGEMENT

Monday March 22 1999

FINANCIAL TIMES

Part Eight
The human factor



Next week
Strategic uses of IT

Welcome to Mastering
INFORMATION MANAGEMENT

Part 8 of 12

This is the eighth part of our weekly series aimed at helping FT readers master the management of information and of the technology that captures, stores, distributes and processes it inside and outside their organisations.

So far we have looked at the changing information and competitive environment; the use of IT inside the business and along the supply chain; the impact of IT on organisational structures; knowledge management; and the challenging world of e-commerce (for full contents of the series, see the latest synopsis on page 15).

This week we turn the spotlight on a theme which has already run through many articles over the past seven weeks: the human factor. Research and anecdotal evidence confirm that many IT investments fail to achieve the hoped-for results. One significant reason for this is a failure to understand the people who actually use new technology. Lynne Markus's piece on the opening spread is a thoughtful analysis of the issues for senior managers.

If you are a "telecommuter" or "homeworker", or if you labour in a "hotelling" environment, you may well share some of the concerns raised by Thomas Davenport on pages 4 and 6. His article considers the pros and (mostly) cons for workers of the virtual office, and concludes with some vivid observations drawn from his own recent experience.

Chun Wei Choo (pages 7-10) steps back from these organisational matters to examine a fundamental question. How do people acquire and process information? As he points out, managers should be able to design better information systems if they have a sounder understanding of people's information-seeking behaviour.

Wanda Orlikowski (pages 10-11) takes up where the first article left off. She distinguishes between "espoused technologies" (what companies install) and "technologies-in-use" (what employees actually use). Unfortunately, managers tend to be better at managing the former than the latter.

Jeff Smith (pages 12-14) concludes this week's issue by examining different social attitudes to data protection. Different views of privacy in the EU and the US may lead to problems for companies trying to operate in both areas.

This week's letter - whose author will soon be in receipt of a bottle of champagne - appears at the bottom of page 14, while our glossary of technical terms is on page 15. Please keep the correspondence flowing, and remember that in Part 12 you will be invited to test your knowledge and skill with a competition Have you Mastered Information Management? In Part 11 we plan to publish a reader questionnaire; the feedback we receive will be used in planning future Mastering series.

Please note that our website, *www.ftmastering.com* contains summaries of each week's material, plus additional background reading.

*** You can e-mail us at editor.mim@ft.com or write to FT Mastering, 3rd floor, Number One Southwark Bridge, London SE1 9HL; for back copies please e-mail backissues.mim@ft.com or telephone +44 (0) 181 763 6363.**

How workers react

Summary

As the pace of technological change accelerates, workers are expected to learn more and more new IT applications. Unlike managers and IT specialists (who naturally support the systems they buy) their reactions to new technology vary greatly; although in some cases they are enthusiastic, in others poor communication, organisational power shifts and a host of other factors can lead to hostility or apathy. Fortunately, says **M. Lynne Markus**, negative reactions usually die down as people become accustomed to new systems and glitches are ironed out. But the bad news is that many people simply "get by" with IT applications and do not use them with maximum effectiveness. Worse still, many companies fail to push for continuous improvement and do not treat training as a priority. Another issue is the rise of standardised enterprise resource planning packages, which may entail more work for some employees in spite of overall benefits.

M. Lynne Markus is professor of management and information science at the Peter F. Drucker Graduate School of Management at Claremont Graduate University. Her research interests include the implementation and management of enterprise systems, data warehousing and knowledge management technologies.

Where you stand depends on where you sit. Nowhere is this truer than in people's reactions to new information technologies. The people who make decisions about adopting new technologies – usually line managers and executives – often react favourably, since they play such a prominent role in acquiring technology. In fact, influenced by vendor and media hype, they might have unrealistically high expectations – essentially assuming that technology is a magic bullet to cure all organisational ills.

Technology specialists too are often enthusiastic about new technologies, not only because they like technology, but because their career success may depend on knowing about the latest developments. Surprisingly often, however, specialists may resist pressure from decision-makers to acquire new technologies. These may differ sharply from those already in use in the organisation, raising the spectre of integration challenges and performance problems. The shakedown phase of any new technology often requires long hours from specialists already stretched by other projects or staff cutbacks. Finally, they may be unwilling to stake their reputations on the need to make an unknown technology work.

But the most varied reactions to new information systems and technologies come from those who are expected to use them. Here reactions range from phobia to enthusiastic acceptance, with resistance and apathy somewhere in between.

Actions and reactions

Explanations for the reactions of technology users are as varied as the reactions themselves. A common one is the claim that resistance to change is a fundamental human trait. A second explanation focuses on the process of making the change: whether people have had a say in selecting the technology or in the way it is introduced and used, how the new technology is communicated, how much training and support are provided, and how carefully the rollout is planned and executed.

A third account centres on the technology itself: how well suited it is to users' work, how easy it is to learn and to use, how "forgiving" it is of user errors, how reliable, and so forth. Yet another explanation focuses on group and organisational dynamics: the perceived or actual effects of the technology on social relations, the distribution of power, and existing job skills; the degree to which the technology is promoted by supervisors, managers and fellow workers; and the degree to which use of the technology is reinforced by human resource policies, such as pay and promotion.

Finally, new technologies often accompany other organisational changes, such as changes in job design or conditions of work. It can be difficult to distinguish people's reactions to the technology from their reactions to other changes. New technology is a convenient scapegoat for many workplace dissatisfactions.

Clearly, any or all of these factors may play a role in how people react to a new technology. Nevertheless, there are some relatively predictable aspects of such workplace reactions.

Appearances deceive

People's initial reactions to new technologies do not always last. Negative reactions due to fear and uncertainty often evaporate after experience with the technology. Also, early reactions are often heavily conditioned by start-up problems such as downtime, data conversion errors and mistakes by novice users. When these problems are resolved during the shakedown phase, people tend to become more accepting. (However, failure to resolve start-up problems promptly can lead to rejection of the technology.)

Another important point is that people's acceptance of a technology does not mean that they are using it effectively or achieving adequate benefits for the organisation. A fair body of research suggests that few organisations got full value from their IT investments, either because people have not learned how to use it well or because managers have not learned how to manage its benefits.

Individual skill

Some years ago, one of my doctoral students conducted an experiment on the effectiveness of IT training approaches. She selected 60 people who had at least two years of word processing experience then tested their actual level of skill. Two of the 60 experienced users had never learned the basic feature of "word wrap" (in which the software automatically positions text on a new line when the typist reaches the end of a line).

These two people had learned their text-handling skills on manual or electric typewriters, which require users to return the carriage or typing mechanism manually when they reach the end of a line. Regardless of their training in word processing, they still had mental models of word processors as typewriters. When they reached the end of a line, they automatically hit the return key – and so never learned that this action is both unnecessary and dysfunctional.

This example is not as extreme as it appears. In studies that I and colleagues have conducted on the use of voicemail, we have found that few experienced voicemail users know about or use the fea-

GLOSSARY

application: a piece of software designed to meet a specific purpose.
bandwidth: A network's capacity to carry data.
browser: Software such as Netscape Navigator and Internet Explorer that enables users to explore the worldwide web.
bug: An error in a computer program that prevents it from working properly.
business process re-engineering: An approach to corporate change which emerged in the 1990s; it involves analysing companies' core processes and reassembling them in a more efficient way, without functional divides.
chief information officer (CIO): The senior executive in a company responsible for information management and for delivering IT services.
client/server architecture: A network in which computer processing is distributed among many individual PCs (clients) and a more powerful, central computer (server). Clients can share files and retrieve data stored on the server.
collaborative software: Groupware, such as Lotus Notes or Microsoft Exchange.
computer-aided design (CAD): Refers to any computer-enabled method of design; also called computer-assisted design.
database: A software package for storing data.
data-mining: The process of discovering previously unknown information from the data in data warehouses.
data warehouse: A place – virtual or physical – in which business information is gathered.
e-commerce: business transactions conducted electronically, including over the Internet.
enterprise resource planning: An integrated system of operation applications combining logistics, production, distribution, contract and order management, sales forecasting, and financial and HR management.
electronic data interchange (EDI): Transmission of documents via any electronic medium using a set of standard forms, messages and data elements.
e-mail. A system that enables computer users to send messages to one another's machines; ideally it should allow them to attach files and find other users' mail addresses.
extranet: An extended intranet, based on Internet-standard protocols, which allows access via the Internet by people outside the enterprise.
groupware: Software that facilitates communication, co-ordination and collaboration among people.
hardware: The magnetic, mechanical and electrical components of a computer and its peripheral devices.
hypercompetition: Aggressive form of competition in which companies constantly try to redefine the competences needed for success in a particular market.
Internet: The global computer network.
Intranet: A private network within an organisation, often protected from Internet traffic by a "firewall" (software that controls access from the outside).
information systems (IS) strategy: The identification and prioritisation of systems of applications for development.
information technology (IT): The hardware and software that is used to process information.
IT productivity paradox: A term used to describe the apparent gap between what companies spend on technology and the increase – if any – in their business performance.
killer app: Computer industry jargon for an application (or other product) that establishes and thus dominates a new market category.
knowledge management (KM): A term with many meanings; it includes deliberate efforts to maximise an organisation's performance through creating, sharing and leveraging knowledge and experience from internal and external sources; see MIM 2 and 6.
local area network (Lan): A network of computers in a relatively small geographical area.
Lotus Notes: A proprietary software that allows users to share many different types of unstructured and semi-structured information. Lotus is owned by IBM.
mainframe: The central processing unit of a large computer, usually receiving input from a number of terminals.
marketspace: The "marketplace" in e-commerce.
microprocessors: Complex electronic circuits that comprise a computer's central information processing unit.
minicomputer (or "departmental computer"): A type of computer that appeared in the early 1970s; a stage in the evolution from mainframes to PCs
multimedia: A combination of sound, graphics, animation and video used to display information on a computer.
online: Having a computer and modem, or accessible by someone with such tools.
operating system: A program that marshals the internal operations of the computer itself, allocating memory to work files, for instance.
paradigm shift: Term used to describe a complete re-thinking of the business or economic outlook, caused by a startling intellectual or technological discontinuity.
PC: It once meant "not IBM", then "not Macintosh" – now it refers to any personal computer.
platform: The sum of a computer's operating system, hardware architecture and software. It defines the applications that can be run.
program: A set of definitions and instructions that enable a computer to perform a particular task.
protocol: The language that one computer uses to talk to another.
software: The programs that are run on a computer system.
value chain: Concept widely associated with the management thinker Michael Porter which focuses on a company's internal processes and the interactions between different elements of the organisation. Analysis of it shows how and where value is added.
virus: A piece of unauthorised computer code within a host program; it can be transmitted to other computers via disks and networks. There are many types of virus, some harmful, some not.
wide area network (Wan): A network of computers over a wide geographical area.
worldwide web: an application which runs on the Internet; it provides a standard way of publishing and accessing information.

Your guide to Mastering
INFORMATION MANAGEMENT*

12 part series

Week one Feb 1 **Improving company performance**	• Why it's time to focus on the I in IT • Linking IT to business performance • Why every business is an information business	• Historical perspective: from industrial age to information age • Case study: Land Rover's Freelander
Week two Feb 8 **Competing with information**	• Strategic implications of the new information economics • Managing information in the marketspace • Datamining	• Competitive intelligence and information management – the best practices • Managing attention – how to get listened to
Week three Feb 15 **Managing IT in the business**	• The delicate art of managing IT professionals • Getting the CEO/CIO relationship right • Improving the effectiveness of the IT function	• Eastern and western styles of information management • Core information system capabilities • Competing with IT infrastructure
Week four Feb 22 **The smarter supply chain**	• Case studies: competing with networks in the demand chain • IT and early supplier involvement	• Bypassing the distribution channel • Enterprise systems and process change • Implementing IT rapidly in the supply chain
Week five March 1 **New organisational forms**	• "E-lancing" and individualisation • Five principles for making the most of IT • Combining corporate power with entrepreneurial agility	• Is standardised global IS worth the bother? • Convergence and intellectual capital
Week six March 8 **Knowledge management**	• Benefit-orientated approaches to KM • The role of information in KM • Chief knowledge officers – what is their role?	• A taxonomy of KM • Making knowledge visible in organisations
Week seven March 15 **Electronic commerce**	• The economics of e-commerce • Business strategy and the internet	• The distribution challenge of interactive marketing • The crucial role of trust and how companies can gain it • Interactive consumer sensing
This week March 22 **Coping with the people aspects**	• Virtual offices and networks • Regulatory issues for the global manager • Managing use, not technology	• Become a knowing organisation • How people react to IT enabled change
Week nine March 29 **Strategic uses of IT**	• Why large organisations are at a sustainable disadvantage • Aligning and repositioning IT in the business	• Senior management perspectives on information use and IT
Week ten April 5 **Innovation and the learning organisation**	• Speeding up and targeting idea generation • How IT can improve organisational learning	• Why organisations have to forget
Week eleven April 12 **Guru/practitioner perspectives**	• Gurus of the Information Age • The CEO perspective	• The CIO perspective
Week twelve April 19 **Conclusion**	• Summaries • Index	• Competition

* All issues subject to change

Continued from page 12

gin, political opinions, religious or philosophical beliefs, trade-union membership, and data about one's health or sex life. It is certainly conceivable that credit card transaction data could provide information on these categories (for example, purchases of religious books). The credit card issuer would be prohibited from making use of data in these categories without the consumer's explicit permission. The company could not assume that a lack of notification implied consent.

This example is just one of many that transcend industries and data types – and that cause misunderstandings when executives with one set of assumptions about privacy do business in a country that embraces a different set.

Implications for commerce

For executives contemplating initiatives that involve personal data, there are three important implications.

First, *know the law* in all the countries where you may do business or where you may collect, store, use or transfer data. In many cases, a country's laws apply to any data that pass through the country, even if the data are never actually used in commercial transactions there.

Further, be prepared for great variance in approaches. The EU's directive has forced a certain amount of conformity in European law, but there are still distinctions in the member states' approaches. Conformity may also be lacking in other geographic regions. For example, while the US and Canada occupy the same continent, their approaches to privacy regulation are quite distinct, Canada veering more towards the European model.

Also consider that, even within one country, there can be many subdivisions of privacy law. For example, in the US many state statutes are far more restrictive than the federal law, and in Canada the five provinces have separate legislation and there are multiple privacy commissioners.

Second, *know the practices*. In many industries, what might be called "generally accepted privacy practices" are emerging, even though these practices are not mandated by law. Often they are codified by industry associations (for example, the Direct Marketing Associations in both the US and Canada have often taken on this role) but they sometimes go undocumented. In consumers' minds, such practices may eventually be more important than legal dictates in determining privacy expectations.

Third, *know the culture*. History is full of examples of marketing approaches that worked well in one country but failed miserably in another, such as the car whose name translated as "it does not go". An approach to the collection, use and sharing of data that is perfectly consistent with law and practice in one country may lead to outrage in another.

Increasingly, technology is enabling companies to watch and categorise many consumer activities and to use these techniques in new and creative ways. But, at the same time, most industrialised countries are responding with restrictions on the collection, use and sharing of personal data – restrictions that are neither consistent nor fully predictable. Indeed, in many countries, it is companies – rather than consumers – that are receiving the closest scrutiny.

● *I am grateful to Professor Joel R. Reidenberg of Fordham University School of Law for his insights.*

The EU privacy directive and the US conflict

In July 1995, the EU adopted its "Data Protection Directive", which required all EU member states to have legislation establishing specific privacy protections for personal data by October 1998. Member states' laws must provide clear disclosure to data subjects of the purpose of data collection and the manner in which the data are to be used, and data subjects are allowed to object to secondary uses of data. The data subjects are also given rights to inspect and correct their data. Further, each member state must establish a public authority to monitor data processing activities. By April 1997 all member states had enacted such legislation.

Also in October 1998, the directive's provisions regarding "transfer of personal data to third countries" were supposed to take effect. These required member states to prohibit the transfer of personal data to any country that did not provide an "adequate level of protection" for the data. This provision has the potential to create great difficulties for data transfers between EU companies and the US, since many observers have concluded that, by the standards of the directive, the US does not give "adequate" protection to personal data of many types and in many contexts. One example often cited is that of an American credit card holder who attempts to charge a purchase while in Paris; read literally, the directive could prohibit the transfer of the transaction data back into the US.

Between 1995 and 1998, many discussions were held between representatives of the EU and the US, but the discussions were somewhat frustrated by the lack of a single US entity that was able to speak with authority on privacy issues. In October 1998, when the directive was supposed to take effect, the issue had not been resolved. No omnibus privacy legislation had been passed, nor does it appear likely to be passed soon in the US. Other approaches have been considered. Voluntary, industry-wide codes might serve as evidence of "adequate" privacy protection; in a few cases, US companies have signed contracts with European partners in which they agree to adhere to the EU directive's principles. At the time of writing, it is unclear whether the EU will accept either of these alternatives.

Government involvement in privacy management

The five models in the figure below can be described as follows:

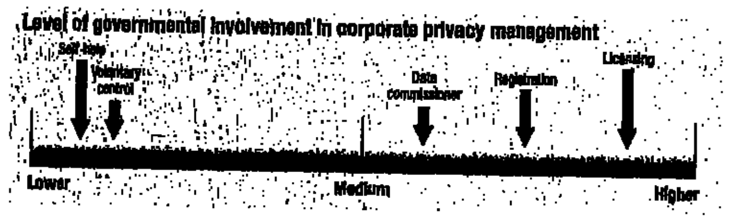
1
The "self-help" model depends on data subjects' challenging inappropriate record-keeping practices. Subjects have rights of access and correction but they are responsible for identifying problems and taking them to court.

2
The "voluntary control" model relies on self-regulation on the part of corporations. The law defines specific rules and requires that each company ensure compliance.

3
The "data commissioner" model relies on the ombudsman concept. The commissioner has no powers of regulation but relies on complaints from citizens, which are investigated. The commissioner is viewed as an expert who should advise on data handling, monitor technology and make proposals, and inspect some data-processing operations.

4
The "registration" model creates a requirement that each databank containing personal data be registered (usually upon payment of a fee) by a separate governmental institution. Although the databanks must be registered, the governmental institution has no right to block the creation of a particular system. Only when complaints are received and an investigation reveals failure to adhere to data protection principles would a system be "deregistered".

5
The licensing model creates a requirement that each databank containing personal data be licensed (usually upon payment of a fee) by a separate governmental institution. This institution would stipulate specific conditions for the collection, storage and use of personal data. This model anticipates potential problems and heads them off by requiring prior approval for any use of data.



●Figure adapted from H. Jeff Smith, *Managing Privacy: Information Technology and Corporate America* (Chapel Hill: University of North Carolina Press, 1994), using categories based on Colin J. Bennett, *Regulating Privacy: Data Protection and Public Policy in Europe and the United States* (Ithaca, NY: Cornell University Press, 1992).

Further reading

American privacy laws are well documented by Paul M. Schwartz and Joel R. Reidenberg, Data Privacy Law (Charlottesville, VA: Michie Law Publishers, 1996). For late-breaking developments, see the Privacy Times newsletter, published by Evan Hendricks (PO Box 21501, Washington, DC, 20009, USA).

European privacy legislation is covered well by the Privacy Laws and Business newsletter, published by Stewart H. Dresner (Roxeth House, Shaftesbury Avenue, Harrow, Middlesex, HA2 0PZ, UK).

Reader's letter

KM and the corporate librarian

Dear Sir,

As a final-year undergraduate student of library and information science, whose dissertation investigates the role of knowledge management in National Health Service libraries, I appreciated the KM special (MIM 6). However, not once did the role of the librarian feature in any of the articles – a disconcerting omission for someone about to enter the profession.

Philip Manchester (page 11) refers to "tools for knowledge management"; well, the librarian's skills of searching for, retrieving, evaluating, packaging and targeting information – and of giving it some human "spin" by adding tacit knowledge gained from training and experience – make him or her the ultimate knowledge tool. Of course, internet applications such as intelligent agents have their place, and play a major role in helping the librarian to give a value-added service; but organisations that seek to implement KM could gain substantial benefits if they invested in their workplace library and its human assets by empowering their library staff to take on KM.

Michael Earl and Ian Scott (page 7) identify four roles for the chief knowledge officer. Librarians in all sectors should be able to tick off at least two of those now, but "entrepreneur" and "consultant" could also be applied to librarians who work outside the library walls. Excellent PR skills are needed here and this is an area where librarians have traditionally been at a disadvantage; however, the profession has recognised this and is working hard to provide training in this area and to encourage librarians to adopt a much more visible role within their organisations.

Certainly, bring in CKOs on temporary contracts – but employ a librarian as part of the management team and receive a continuous KM service with clout.

Yours faithfully,

Carole Keeling
Department of Information and Communications
Manchester Metropolitan University

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to new technology

tures that allow one to send voice messages like e-mails. Most users treat the technology as an answering machine. If the person they are calling does not answer the phone they leave a message. Similarly, they retrieve their own. But they do not know that it is possible to send a voice message without ringing the other person's phone or to send the same message to multiple parties via a distribution list. Many people bring to voicemail their mental models of answering machines and do not learn the technology's new features.

Consider these additional research findings:

● A study by Ronald Rice (Rutgers University) and a colleague showed that most users of a new digital telephone system knew only a handful of its hundreds of features. The best users knew perhaps 10 features. The average user could not transfer a phone call.

● Studies of spreadsheet use show that user errors in designing and testing spreadsheets abound.

● Research in human–computer interaction has found individual differences in task-completion times ranging from seven to one in text editing to 50 to one in programming, with data retrieval somewhere in between.

Some readers may not be bothered by these statistics – after all, how could any one person possibly benefit from all the thousands of features in a product like Microsoft Word? But this response ignores the fact that many people simply do not use their IT tools well, even after years of routine use.

Organisational use of IT

It is a mistake to think of IT skill solely in individual terms. Organisations also must learn how to manage IT so that benefits are achieved. There is some evidence that organisations, like individuals, have IT learning curves – and that some organisations learn more and better than others do.

A study by Wanda Orlikowski and Marcie Tyre published in Organisation Science in 1994 found that technology projects are characterised by short bursts of adaptation and learning followed by much longer periods in which technology use is routine and relatively unchanging. Unless something happens to unfreeze the situation – such as a retraining programme or a technology upgrade – technology usage stabilises, often at levels far short of ideal. The researchers concluded that there are "windows of opportunity" for intervening to improve the effectiveness of IT use.

Researchers at the Nanyang Business School in Singapore found similar patterns of organisational technology use in small Singaporean businesses. Companies usually computerised in "waves", with a burst of initiatives at the beginning followed by a decline in activity. Some organisations had subsequent waves of computerisation. Intriguingly, the researchers found evidence that patterns of computerisation were related to organisational performance. High-performing organisations tackled more projects initially and appeared to have more waves of computerisation, with higher levels of activity and shorter gaps between waves.

These studies suggest that effective organisations do not leave IT projects simply to run their course. To combat fall-offs in IT learning and enthusiasm for change, they demand results from IT projects and create opportunities for continuous improvement. Organisational learning about IT is a process that must be managed.

Managing people's IT skills

The two most obvious ways to improve individuals' skill at using IT are training (and retraining) and making technology easier to use. While both of these methods are important, neither is a sure-fire cure-all. And there are many barriers to these strategies, a fact that underscores the need for IT learning management.

Training

Skilful IT users need three kinds of knowledge: knowledge about the IT products and services they use (what they do and how they work); knowledge about when to use them and why; and knowledge about how to use them to enhance personal and organisational effectiveness. Most IT training materials address only the first goal, although research has shown that many people have insufficient job knowledge to apply IT effectively. For instance, because they may not know how their work affects others, they may be cavalier about data accuracy.

It is often thought that people can and do learn about their work from information technologies designed to support it. The weight of evidence suggests, however, that managers should not count on this happening. People rarely learn much about an unfamiliar work domain by using an IT tool designed for that domain unless the technology has been consciously designed as a learning tool. (But lack of computer skills can prevent domain experts from using a relevant new technology effectively. They cannot apply their work knowledge while using IT without adequate technology skills.)

Why do companies not make a better job of IT and job skill training? The simple answer is that the training required for effective use of new technologies often far exceeds managers' willingness to pay. A recent article in Computerworld, for example, pegged the average cost of organisational training in a new IT application area (sales force automation) at $400,000. Analysts estimate that organisations should allocate 15-25 per cent of the cost of enterprise resource planning (ERP) projects to training. With ERP project budgets of hundreds of millions of dollars in large organisations, an adequate training budget can be very large indeed.

Compounding managers' unwillingness to fund training are the sales pitches of technology vendors, who understandably bill their products as easy to use and requiring little training. Training may also be a victim of funding policies that locate it in operational budgets rather than including it as part of the initial capital outlay. And because training necessarily comes late in technology projects, it is very likely to be cut when the schedule slips.

And if these barriers are not enough, there is always the problem that technology training is not always as effective as we educators would like to believe. Research shows that some approaches are better than others, but even with the better approaches people may still come away with a limited or incorrect idea about the technology.

Many packaged training courses do not meet the needs of either novices or more advanced users. Most novices prefer to learn new technology through one-to-one coaching on the job instead of in a classroom. But this method can be very expensive for large numbers of trainees and its effectiveness depends on coaches' IT skills. Even in well-designed formal training programmes, novices can absorb only a limited amount of information about a new technology before they are overwhelmed. Experience shows that it is best to plan for advanced training later as well as for periodic refreshers – which, of course, adds to training cost.

Ease of use

There is ample evidence that the quality of the interface between technology and the user makes a difference in IT learning and use. But there is still a great deal to be learned about interface design. And organisations wishing to maximise interface quality may face formidable barriers. The "best" interface for a particular user may be a function of his or her skills, job type and experience. But the best interface for an organisation may have to be a standard to minimise training and support costs.

Today, IT is more powerful, flexible and customisable than ever. At the same time, there are strong pressures for organisations to adopt standard technologies with minimal customisation. Most organisations used to develop bespoke systems to fit exactly the way they did business. This strategy maximised user acceptance because it made minimum demands for change. But the downside was that organisations rarely achieved improvement in performance. (No pain, no gain.)

Today, many organisations recognise that their work practices may not be effective relative to benchmark companies. In addition, software packages have become widely available, and are much cheaper than bespoke software. But the long-term benefits of packaged software require companies to adapt their work practices to software rather than the other way round. Customising package software to a business's needs usually makes upgrading difficult and costly. The net effect of these trends is that organisations may find themselves installing new software that is harder for employees to use than the software they used before.

For example, I recently studied an equipment manufacturer implementing an ERP package. In many parts of the organisation the package was expected to streamline work. But this was not the case in the maintenance department. Customers typically collected defective pieces of equipment and returned them for service in batches of 10 or more. The old software allowed maintenance workers to enter multiple repair items on a single customer repair order. The new software required a separate order for each item, which meant re-entering customer information each time.

Managers estimated that the new software would effectively increase each worker's daily workload from eight to 11 hours. Fortunately, corporate executives approved an increase in staff to accommodate the change. They expected that the total benefits of the system would outweigh an increase in local costs and that the software vendor would eventually improve the maintenance module. Unfortunately, many package-using organisations do not provide for such problems and the reactions of users are predictably negative.

Ever faster learning?

As software vendors improve their products over time, problems like those of the maintenance department may well disappear. However, organisations will only reap the benefits of new releases if they do, in fact, upgrade. And here we have perhaps the most interesting challenge new IT poses today. People in organisations will be expected to assimilate new technologies at ever greater rates.

One large company I know of plans to have no more than three versions of ERP software "in play" at any given time: the old version; the new version (being rolled out to sites still using the old version); and a future version (being configured to replace the new version). Given the rate at which ERP vendors produce new releases, the company estimates that any one site might remain with a release for no more than 12 to 18 months!

Such plans create enormous requirements for individual and organisational learning. The benefits of adopting new software must surely be related to how quickly people can learn to use it well. The longer and the less effective the learning cycle, the less chance the organisation has of achieving payoffs. If, through human resistance, inadequate training or bungled change management, it takes six months or more for users to assimilate software and job changes, the chances that the organisation could benefit in a 12-to-18-month implementation cycle are slim. Conversely, achieving the benefits in this time will require organisational and individual commitment to rapid learning, with all this entails for training and support budgets.

It is often said that all IT adoption and use problems are transitional – they go away with improvements in technology and user skill. Most people in the workforce today did not grow up using computer technology but learned it as adults. So we do not have the awesome dexterity, confidence and computer knowhow of the Nintendo generation. And technology is improving every day. Does this mean that all companies will soon be able to forego the costs of technology training and change management? Or does it simply mean that companies that learn how to learn about IT will gain a bigger, more durable edge?

COVER ILLUSTRATION:
David Webster

One cheer for the virtual office

Summary

The concept of the virtual office covers a range of working arrangements from occasional telecommuting, with perhaps one day a week spent at home, to full mobility of the kind practised by field sales and customer service personnel. According to **Thomas Davenport**, the IT, professional services and consumer products industries have been quickest to introduce "virtual" programmes – but informal analysis suggests that the rate of adoption has slowed in the last couple of years. Cost and worker convenience are the main benefits of virtuality but shortcomings such as lack of contact with the corporate culture, communication difficulties, and poor access to people and materials often outweigh them. These can be overcome but, as the author points out, desirable offices may be a good way to attract talented staff and, where possible, companies should try to make virtual arrangements voluntary. He concludes with some observations arising from his own experience in a "hotelling" environment.

Two years ago, a co-author, Karl Pearlson, and I completed a study on "virtual offices" – alternative work arrangements in which information technology replaces direct contact with co-workers and/or a physical office location. Our study revealed both positive and negative aspects to virtual offices, both of which I'll describe below. Towards the end of the period in which we did the research, some early adopters of virtual offices were beginning to question and even reject their new arrangements. This development, and several other troublesome aspects of the phenomenon, led us to entitle the article "Two Cheers for the Virtual Office", suggesting that these work arrangements are less than optimal.

For the past seven months, however, I've worked regularly in a virtual office. As a result of this "participant observation" I am more negative about virtual offices than before, at least for knowledge workers such as researchers and consultants. In most cases, I don't think the financial savings equal the human costs. In this article I'll describe both my academic research into the area and my personal experience of this kind of environment.

It's important to note that neither I nor anyone else knows the implications of virtual offices for productivity and performance at either the individual or the organisational level. It is difficult to show the direct effects of almost anything (including IT in general) on worker or company performance. As with the question of closed offices versus cubicles or suburban versus city-centre offices, we have only preferences, not performance differentials, as the basis for deciding which arrangement to adopt. In today's labour market, however, preferences may be enough. If good workers are hard to find, and if workers prefer – *all other things* being equal – nonvirtual offices, perhaps they should have them.

What is a virtual office?

The concept of the "virtual office" actually refers to a range of alternative work arrangements, with *varying degrees of presence* outside a physical office. The different virtual office environments are displayed on the continuum in Figure 1.

Telecommuting

At the most stationary extreme, the term "telecommuting" usually (but not always; there is little precision in the language of virtuality) refers to workers with fixed offices who occasionally – often one day a week – work at home. This arrangement was the most common one we found in our research into virtual office policies in US companies.

The primary benefit of telecommuting is worker flexibility, and perhaps increased productivity (but this is seldom measured) for individual employees. Because no office space is freed up, there are few cost savings; because the virtual work is only occasional, there is little need for new management approaches. It is a low-risk, low-reward option.

Tethered in office

Further along the continuum is the tethered worker, who has some mobility but is expected to report to an office on a regular basis. *These workers have* no fixed office but they do have a fixed work location. When *the advertising agency Chiat/Day* opened new offices in New York and Los Angeles, *for example, it initially adopted* the tethered arrangement. Workers checked into the building in *the morning* and received a mobile phone and laptop computer. They were then free to wander around the office or nearby.

This type of arrangement is not common enough to yield generalisations about its success, but it led to problems at Chiat/Day. The company's innovative virtual office design received acclaim from architectural critics. But some workers found it difficult to be creative and to work with – or even locate – their teams in tethered mode. And when Chiat/Day was bought by another agency, new managers were concerned that workers who could not find productive spaces in which to work were simply staying at home. As one manager put it, "We didn't want people thinking that they didn't have to come to the office any more." The space in the merged company was redesigned, more private spaces were added and workers were given their own phones and computers.

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Figure 3: Continuum of alternative work arrangements

Totally mobile — Home-based, some mobility — Hotelling, some mobility — "Tethered" in office — Occasional telecommuting

Hotelling

Hotelling is another type of virtual work which is often coupled with work-at-home or work-at-the-customer programmes. Workers come into the office occasionally but because they are *often* absent they are not given a fixed office space. Instead, they can reserve a hotel "room" (*more likely* a cubicle) where they can receive and make phone calls and link their *laptop computers to the* network. The hotel space may be in a city-centre building *previously used for traditional* offices, or it may be in some suburban location specifically *selected for mobile work*. IBM calls its suburban hotels "Productivity Centers". Hotelling is popular *with professional services* firms (including my own), primarily because their personnel are frequently working at client sites.

Home

Home workers have no office at all other than a room in their homes. They may go to customer sites on some days. Company programmes such as those at AT&T and Hewlett-Packard have equipped such workers with furniture, computing equipment and high-speed phone lines. The work in this situation is largely performed on the computer and the telephone; typical activities are customer service, telemarketing or computer programming.

The benefits of this arrangement are work flexibility and freedom from commuting for workers, and reduced office space costs for employers. Of course, it is not an easy solution for individuals who face obstacles posed by children, at-home spouses and small dwellings without *adequate* space for the computer, fax, desk and files. Home offices reduce costs by *replacing the company's* real estate with the employees' – a proposition of *questionable fairness. Some research has suggested* that home offices are popular with workers for a *year or two* but often fall from favour after that, perhaps because home workers eventually become too disconnected from their jobs and co-workers.

Fully mobile

Finally, fully mobile workers may not even have home offices. *They are expected to be on the road* or at customer sites during the working day. Most workers *of this type were already mobile before* the virtual office era but were just not as well connected *to their companies*. Typical fully mobile workers include field sales and customer service *employees*.

For example, pharmaceutical representatives, *such as those at* Astra and Pfizer, view their offices as their portable computers and files kept in their cars. Otis Elevator service personnel have been fully mobile for several years. The virtues of this approach centre on the ability of mobile workers to spend more time with customers, and the flexibility of total mobility in dispatching workers to customer locations.

While most of the companies we surveyed used only one or two types of virtual work, a large corporation might eventually employ all the types for different workers. In our survey, we found the most common combination beyond casual telecommuting was a home programme coupled with a company hotelling arrangement.

How prevalent are virtual offices?

Two years ago, when we completed our survey of large US companies, virtual offices of one *type or* another were quite popular, and becoming more so. At that time about 30 per cent *of these companies* had a formal programme for some sort of alternative work *arrangement in place, and another 15 per* cent were planning to institute one. Many more *companies allowed occasional* telecommuting on an informal basis.

My informal analysis since then suggests that the number of virtual workers continues to increase – companies committed to virtual offices are rolling them out to more locations, and more informal programmes are taking effect. But the rate of adoption of formal programmes has slowed.

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Two views of data protection

Summary

The social aspects of information become clear when one looks at the issue of data protection. Here **Jeff Smith** considers the very different approaches taken by the US and the EU. In the US companies can collect, use and share customer data with few restrictions; federal law seldom requires them to tell consumers about secondary use of data, or to offer "opt outs". In Europe, by contrast, consumers are assumed to have a legal interest in data about themselves; companies must inform them if they want to use the data for purposes other than billing, and provide clear "opt outs". Given such differences, global executives must become familiar with different countries' laws, industry practices and cultures.

When it comes to social issues surrounding information technology, few are viewed as differently around the world as privacy. In some societies personal data about individuals' financial affairs and purchasing histories are considered almost sacrosanct. But in others, those same data are considered to be commodities that can be traded at will. These different sets of values are often codified in different regulatory approaches, which can lead to frustration and confusion for companies attempting cross-cultural initiatives.

On the one hand, US executives, accustomed to a free-wheeling environment in which personal data are freely collected, used and exchanged, are shocked when they encounter more restrictive approaches in other parts of the world. One such executive, who had many years of experience in the US credit industry, was "flummoxed" when he learned that the collection and use of financial data in Sweden would require the approval of the country's Data Inspection Board (DIB).

On the other hand, some employees of Sweden's DIB have expressed disbelief regarding the data-related practices of US companies – in particular, the practices of massaging personal data, drawing psychographic inferences from those data and exchanging those inferences with other companies. They cannot identify with most US companies' unquestioning use of transaction records, demographic data and mailing lists in their direct marketing initiatives (often without securing the permission of the consumers whose purchasing habits are being scrutinised).

Approaches to privacy

Different models of privacy regulation can be roughly categorised according to the level of governmental involvement in corporate management of privacy issues. Self-help and voluntary regulation models, both observed to some degree in the US, are in many respects consistent with a market-driven approach to privacy. In these models there is no governmental "bureau of privacy" or similar agency with overall responsibility for privacy regulation.

More common in Europe are the registration model and the licensing model. Registration models, such as the UK's, provide for a government agency with largely reactive power - that is, the registrar can "de-register" a company that does not adhere to what are viewed as appropriate practices, although this has seldom happened. Licensing models, such as Sweden's, provide for a federal bureau with proactive power (until the DIB gives its approval, a company cannot legally create files containing personal data).

While the above models explain the *structure* of a country's privacy regulation, they do not specify the assumptions and rules regarding the collection, use and sharing of personal data. It turns out, however, that the same splits in *form* we observe between the US and Europe also seem to apply to *substance*.

In the US, there are no federal provisions for a "right to privacy" in commercial transactions, and no omnibus rules regarding the collection, use and sharing of personal data that transcend all sectors of the economy. There are some specific prohibitions on the collection and use of certain forms of data, but these protections are often referred to as a "patchwork quilt" that has been constructed largely of reactive legislation. For example, video rental records receive a fairly high level of federal privacy protection but medical records are virtually unprotected by federal law.

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In addition, federal US law seldom requires that consumers be told about secondary uses of data. In practice, some companies in a few US industries have adopted notification procedures by, for example, placing inserts in monthly billing statements. And some US companies have also provided "opt out" capabilities for consumers: unless the consumer takes overt action to "opt out" of the secondary data use, it is assumed that the consumer assents to the use.

In contrast, one can reasonably interpret efforts within the European Union as granting consumers a "right to privacy" in their commercial exchanges (see "EU privacy directive" box). The EU countries have passed omnibus privacy legislation that provides specific privacy rights to consumers across sectors and industries. And, with very few exceptions, uses of personal data – beyond those for which the data were originally collected – are prohibited if the consumer objects to the secondary use.

This applies across industries and is not determined by the type of data or the specific use: financial data, educational data and purchase data are viewed in the same manner, even if there is extra protection for especially sensitive data (such as mental health). Some observers have remarked that the difference is a fundamental one: in Europe and many other parts of the world, privacy is seen as a human rights issue; in the US, it is seen as an issue of contractual negotiation.

Consider how this difference might manifest itself in practice. Suppose a US credit card issuer decided to massage its database of cardholder transactions and to categorise cardholders according to their purchasing propensities. Then, based on these categorisations, the cardholders would receive different cross-marketing contacts from the issuer's affiliates.

Such an approach would serve as an excellent example of "leveraging the customer base" or "using IT for competitive advantage". However, it is also clear that privacy concerns could arise on the part of cardholders, since data apparently collected for one purpose (billing) would be used for another (direct marketing). What would be the privacy-related duties of the credit card issuer?

Under federal law in the US, the card issuer has no obligation to inform the cardholders of its secondary use of the data or to provide any option for cardholders to "opt out". In practice, some of the larger US card issuers have added language to their credit card application forms (often in small print) informing applicants that they might receive certain offers of products and services. In addition, some card issuers have also placed inserts in the cardholders' monthly statements. In most cases, the focus of these notification statements has been the *offers* that cardholders might receive.

The methodology for selection, including the massaging of the transaction database, often goes unexplained or is given only oblique coverage in the statement. (After being threatened with legal action by a state attorney general, one card issuer did agree to give more explicit explanations about its use of transaction data.) To effect an "opt-out", applicants are sometimes given a small box to tick, and existing cardholders are often asked to write to a certain address (sometimes a toll-free phone number is provided).

The general assumption of this approach is that transaction data belong to the company and that, without overt action on the part of the consumer, such data may be used as the company wishes. Notifications and "opt out" provisions are often seen as a courtesy to consumers rather than as an obligation on the part of the company.

The European model

This approach would not be acceptable under what is sometimes called the "European model" (not all European countries' laws read in precisely the same form, but general conclusions can be drawn from the 1995 EU Data Protection Directive and practice). This model assumes that the consumer has legal interests in transaction data and that a company cannot unilaterally choose to manipulate the data for direct marketing purposes, unless it is clear that the consumer agrees.

Thus, the US card issuer's approach is inconsistent with the European model on at least one count and perhaps two. First, merely telling (potential) cardholders that offers might be received would not constitute sufficient disclosure. Of greater importance would be the specific *uses* of transaction data that would lead to the offers.

Consumers must be told that transaction data, which they would otherwise probably conclude were being gathered for billing purposes, will also be used for categorisation and direct marketing, particularly when data is transferred to third-party affiliates. The EU directive (which can be viewed as defining minimal levels of data protection within EU countries) demands clear notification about secondary uses of data for direct marketing. Vaguely worded statements about "offers", particularly if printed in fine print or in a form that has a low probability of being absorbed by consumers, are unlikely to clear the hurdle.

Second, there may be some question about the manner in which consumers are allowed to object to secondary use of the data. The EU directive demands that member states "take the necessary measures to ensure that data subjects are aware of the existence" of their right to object to secondary data uses. Further, it requires that a company cease using a consumer's data for secondary purposes once a "justified objection" is received.

Although some countries might demand an "opt-in" approach (that is, affirmative consent being given before data can be used), the directive does not state this as a general requirement. However, a small tick-box following a notice in fine print would almost surely be unacceptable under the European model. It is also likely that any process requiring substantial effort on the consumer's part (for example, writing a separate letter) would fail to pass muster in at least some European countries.

It is also worth noting that an "opt-in" provision would be demanded in all EU countries if the profiles included special categories of data. These categories include those indicating racial or ethnic ori-

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Like Chiat/Day, a few companies have abandoned virtual offices altogether.

The industries that made the greatest use of virtual work in our study were the IT industry (for example, IBM, AT&T, Pacific Bell, Hewlett-Packard, Compaq, Xerox), which had a reason to showcase the use of its products, and the professional services industry. The consumer products industry (Frito-Lay, Procter & Gamble) was also active because its sales forces travelled frequently to large grocery chains.

The most popular business functions for virtual work (in order of popularity) were field sales and service, technical support, staff functions (MIS, human resources, procurement, legal), product development, engineering, research and general management. Almost all of the jobs involved substantial use of electronic information.

The benefits of virtual offices

In our study companies adopted virtual work arrangements for two main reasons: cost and worker convenience. Cost-orientated programmes tended to involve hotelling, home-based programmes or total mobility. They were generally mandatory, either prohibiting or strongly discouraging fixed, permanent offices. These programmes were generally applied to all members of a particular function within an office, and sometimes to all people within an office or geographical area.

While workers were often unhappy with these arrangements, they really did reduce costs. One professional services firm, for example, reported 30 per cent reductions in real estate costs in offices where hotelling had been adopted. Other companies cited reductions in office space of between 25 and 67 per cent; overall a big company might save \$50m-\$100m per year, according to AT&T. However, these savings are offset in some cases by increased costs for technology and home office furnishings, and by the inability to renegotiate leases quickly. Some Xerox sales offices adopted virtual office arrangements expressly to create savings to pay for laptop computers for the sales force.

The other major benefit is worker convenience. Some companies, such as Hewlett-Packard, adopted virtual offices on a voluntary basis for workers who wanted the convenience of virtual offices, or who found themselves living in a location with no HP facilities. The overall goal is to increase employee satisfaction, productivity and retention.

Such voluntary, convenience-orientated programmes are naturally popular with workers – they do not save as much money in office costs but their long-term value in terms of increased employee retention and personal productivity levels could be substantial. It is difficult to measure such benefits, particularly in comparison to the "hard" savings from lower office leasing costs.

Problems with virtual offices

Virtual offices have some benefits, but the shortcomings often outweigh them. Below are a list of potential problems resulting from trading technology for offices, and some suggestions for how to address them:

Corporate culture
Offices are a place to socialise and be socialised into the culture of the organisation. New workers in virtual settings have little opportunity to learn the "HP Way" or the "AT&T ethos" by example, which is the best way to receive tacit knowledge. If virtual offices are established, they should be restricted to employees who have already absorbed the culture.

Loyalty
Offices create an identification with a company. During an era in which corporate allegiance already seems at an all-time low, the absence of a place to go to work probably further weakens loyalty. This is particularly problematic for home-based or fully mobile workers. If workers do not have offices, other sources of loyalty – social events, evidence of concern for the whole person, and high remuneration – should be introduced to boost retention.

Communication
Offices make possible frequent, unplanned communications. Face-to-face conversations convey not only information content, but also attitudes, levels of motivation, and concerns. Companies that adopt virtual offices need to created planned events for communication and rely on electronic distribution of key information. The company Verifone, now a subsidiary of Hewlett-Packard, managed to create a high degree of information flow through electronic means even though workers were scattered around the globe.

Access to people
Offices are also a place where people can find one another. Technology is addressing this problem, but it is still hard to find people when they are not in the office. Virtual office-orientated companies should make special attempts to keep track of workers without being too invasive.

Managerial control
Office presence tells the world that one is working. Many managers are only comfortable if they can observe their subordinates at work. Virtual offices require shifts in performance cultures to emphasise delivered results, rather than observation of the work process.

Access to materials
Offices are normally situated near the physical artifacts of work. Computers and telephones are now portable, but filing cabinets, books and other documents, and large, expensive examples of products (such as large office equipment or industrial machines) – all key sources of learning and information – are less so. Contrary to popular opinion, not all information and knowledge resources are on the internet or in electronic form. Access to documents is particularly important for research and marketing-orientated workers.

None of these issues is impossible to overcome, but together they can add up to an ineffective work environment. In labour markets where skilled knowledge workers are difficult to hire, the fact that many workers do not like virtual offices may be the biggest shortcoming of all. Perhaps the desire for a place of our own is embedded in our genes. In any case, companies that offer fixed, desirable offices may be more able to attract talented workers. At a minimum, the variations in fit between virtual offices and different types of job and worker situations suggest that virtuality should often be voluntary rather than mandatory.

Personal experiences

For the past few months I have worked in a hotelling environment. Every day I am in the office, I must reserve a space; most of the time I get a different office each day. I plug my laptop into the network; my phone rings wherever I happen to be that day. At the end of each day I must clean up my assigned office, remove all evidence of my presence and put my belongings into my briefcase.

As a relatively senior person in this office, I receive the maximum allocation – three file drawers – for storage, but they are two floors away, so I rarely use them. My firm's implementation of virtual offices is relatively advanced, with appealing architecture, sophisticated information systems for office reservations and phone assignments, and extra subsidised services (massages, car washes on Fridays, dry cleaning drop-off) as compensation for the lack of a fixed office.

I am not particularly happy with this arrangement; nor are the co-workers I have canvassed informally. I have used none of the available services and the fact that I cannot leave things (work in progress, coffee mugs, message slips, and so on) in my office overnight is a major inconvenience. Along with many of my colleagues, I prefer to work at home rather than coming into the office, which of course hinders our ability to communicate. When I do come in, the odds that I will know my neighbours are small and I usually do not bother getting to know them, since they'll be sitting in some other neighbourhood tomorrow.

My work is unlike that of many others in my office in that I do little consulting work (and am hence in the office often), and need to use many physical documents (books and articles, for example) on a daily basis. Nevertheless, policy prohibits an exception in my case.

To their credit, the local management recently allowed me to trade my luxurious, closed, free (to my research centre's budget) hotel office, and those of my fellow researchers, for an open, overcrowded, featureless big room costing several thousand dollars a month. I accepted this deal because I could have a place of my own in which I could leave my things on my desk in disarray. I am in close proximity now to the people with whom I work. My briefcase is lighter, as is my mien.

To their further credit, the space managers have been quite supportive in helping me and my colleagues find a building of our own, where we can make our own rules. I like my job and my employer, and I wouldn't change them because of a virtual office environment. But the prospect of having a real office is wonderful. And when we do make our own rules, you can be sure they won't include hotelling.

Further reading

Davenport, T.H. and Pearlson, K.L. (1998) "Two cheers for the virtual office", Sloan Management Review (summer).

Managing use not technology: a view from the trenches

Summary

The "IT productivity paradox" arises from the fact that companies spend billions on IT with no commensurate increase in productivity. Yet according to **Wanda Orlikowski**, the paradox is misconceived: we should expect returns from the use of technology not technology itself. Drawing on the work of social scientists Chris Argyris and Donald Schön, the author distinguishes between "espoused technologies" – what companies buy and install – and "technologies-in-use" – what employees actually use. For example, a company that invests in groupware might look at the number of user accounts and judge the project to be a success; but if no one actually uses the technology to share knowledge – because of a competitive, individualistic culture, say – then the company will not see the returns it anticipates. The problem is that we are not very good at managing technology use. Businesses must dedicate resources over time to help employees develop effective use habits; use of technology rather than technology itself should be evaluated, and innovative uses of IT should be rewarded.

rewarded for distinct functional contributions and individual patent applications. Not surprisingly, they chose to maximise their personal initiatives and to minimise their participation in cross-functional work. As a result, their use of Notes was limited and the company (like many others I continue to encounter today) failed to realise the potential of its investment in groupware.

Focusing on espoused technologies rather than technologies-in-use is not just an issue for corporations; it is also one for research. Another "technology paradox" was recently generated by a report from the HomeNet project, a multi-year research study at Carnegie Mellon University. The study is examining the internet usage of about 100 families in Pittsburgh during their first few years online.

Its current, surprising, findings are that "using the internet at home causes small but reliable declines in social and psychological well-being". As this project is being conducted with considerable care by leading social researchers of computing, we have no reason to disbelieve the results. Yet many find them disquieting because they are at odds with popular beliefs and personal experiences.

Users of the Well, for example, a virtual community on the internet, report quite different experiences. As chronicled by Howard Rheingold, the American social commentator, members of the Well offer each other social ties, friendship and emotional support.

Similarly, American journalist Andrew Lam reports that the internet is being used to create a global community among the 2.5m Vietnamese displaced by the Vietnam war and now living on five different continents. Through websites devoted to Vietnamese history, culture and news, many Vietnamese immigrants have created a "Virtual Vietnam", establishing social links and reconnecting with their cultural heritage.

How can we explain these different experiences of the same technology? The answer lies in the difference between espoused technologies and technologies-in-use. Stories of the Well and Virtual Vietnam are descriptions of technologies-in-use. The HomeNet project's measures of "internet use" – number of hours connected to the internet – are measures of espoused technology. They do not tell us how people actually use the internet – whether they "surf" aimlessly, shop for books, interact with friends, participate in support groups and so on.

HomeNet's results would perhaps be less puzzling if presented in terms of technologies-in-use. The decline in social and psychological well-being reported by the project may be associated with the specific technologies-in-use (not yet described in the research) of the Pittsburgh families; they may not be result of some general "internet use".

Other internet technologies-in-use may produce different social and psychological outcomes, as suggested by the experiences of Well users and immigrant Vietnamese. The same distiuction between espoused technologies and technologies-in-use may also help us make sense of and deal with the broader "IT productivity paradox".

Practical consequences

What does this all mean for practice? It suggests that we need to transfer our energies from primarily managing technology to also managing the use of technology. It requires us to take seriously the difference between the technologies we buy and the actual use that is made of them. While acquiring and implementing appropriate technology is clearly necessary, that is insufficient to ensure effective – or indeed any – use. Taking use seriously requires managers to dedicate resources to help users build effective use habits.

For example, my colleagues and I studied the implementation and use of a new computer conferencing technology in a Japanese company's product development group. The introduction of the technology was managed by nine of the group's 150 members. They not only had the requisite technical knowhow but more importantly, because they were already accustomed to using the technology, they had the skills needed to make recommendations for effective use. The conferencing tool was thus not presented to users as a new technology, but as a solution to a particular problem in their work – in this case, the co-ordination of product development activities across six subgroups, two buildings and 17 months.

Taking use seriously requires resources to be available over time to support not just the evolving technology but also people's evolving use. It suggests expecting variation in use over time and as conditions change. Static use in dynamic circumstances is ineffective. Shifts in use over time are not deviations to be corrected but improvisations to be rewarded; managers need to encourage those innovations that improve practice, yet not punish those that do not. Taking use seriously assumes that learning happens through experimentation in, and reflection on, use.

For example, a software company that successfully implemented Notes to assist customer support, permanently assigned two technical experts to the customer support department. Their task was to facilitate users' initial adoption and their long-term use of Notes. The department's managers understood that in practice and over time, technologies break down, requirements change, use evolves and learning takes place; so to ensure continued effective use of Notes in the department, technical experts – who knew, and had credibility with, the users – would have to be on hand. Over time, these experts also became expert in the use of Notes for customer support, and were able to improve the way it was deployed to increase the quantity and quality of users' output.

More than anything, managing use rather than technology alone requires a shift in mindset. Managers must move from managing or fixing the easy "hard" stuff – the technology – to also managing the harder, more critical "soft" stuff – the way technology is used. In over a decade of studying the use of IT in the trenches, I have more often than not seen people exhausting resources and effort because organisations were managing technologies rather than use. It need not be so.

Steps towards managing use of technology

- Recognise that the technologies installed in your organisation are not synonymous with the use of those technologies in practice.
- Understand that only use of technology can produce organisational results, and that such use will be both anticipated and unanticipated.
- Help people understand how use of technology relates to their everyday work processes and problems.
- Acknowledge that effective use of technology must evolve over time.
- Allocate at least as much attention, effort and resources to the day-to-day use of technology as to its installation and maintenance.
- Facilitate evolving use through long-term assignment of resources – human, financial and technical.
- Promote evolving use through creating expectations of frequent change.
- Encourage evolving use through supporting innovation and improvisation in the day-to-day use of technology.
- Reward the effort involved in use innovations, not the outcome.
- Assess the use of technology, not the technology installed.

Further reading

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Continued from page 8

The outcome of information seeking is a set of information that is a very small proportion of the total considered. How this information is then put to use depends on the individual's habits of thought, his or her emotional responses, and the social and cultural context around information use. The final outcome of information use is a change in someone's knowledge, allowing that person to make sense of a situation or to take action. This in turn gives rise to new experiences and new information needs, so that the cycle is continuous.

Implications for practice

The discussion here suggests several ways to improve information management:

1

Design information systems not just to answer queries but to provide useful information that will help people solve work-related problems and deal with the specific requirements of problem situations.

System designers need to move beyond analysing flows of data to understanding how people construct the meaning of information and how they negotiate the context of organisational work. For example, users should be able to query systems not just with account numbers or key words but also with task descriptions ("I am writing a project plan on *x* – get me information that will help me") and sense-making questions ("What are the assumptions guiding our interpretation?").

2

Increase awareness of the nature of human information seeking and processing; this involves understanding cognitive styles and limitations, and the ways that routines and emotional defences can block learning.

Cognitive diversity invigorates an organisation, so the intention should be not to pigeonhole people according to their presumed strengths and weaknesses. Instead, the goal should be a lively mix of styles, skills and sensitivities in a group so as to heighten vigilance in information processing.

3

Educate everyone to manage information quality and information quantity.

System designers need to understand how people assign value to information. Users need to know how to evaluate the quality of sources and how to trade this off with their accessibility. In restricting the quantity of information to prevent overload, users should also guard against premature closure: divergent information gathering (which consults many sources) is necessary to prepare the ground for convergent action.

4

Develop an organisational culture that values and encourages information sharing.

Some of the best information sources are one's colleagues. Yet paradoxically, as organisations become more information-intensive the less likely it is that members will share their information freely. Organisations must now work at creating and sustaining cultures that promote the sharing of information and knowledge.

Quality versus accessibility: how chief executives keep up to date

Most studies of how people use information sources have found that a source's perceived accessibility is a major determinant of whether it is used or not. For example, scientists, engineers and managers are often sensitive to source accessibility, so that a library or information centre on the next floor or even a few offices away may be infrequently visited, even though people recognise that it contains more complete and up-to-date information than their close-at-hand sources.

However, a recent study of how chief executives in the Canadian telecommunications industry scan their business environments for information about trends and developments found a different pattern. For these chief executives, the perceived quality of a source (in terms of reliability and relevance) was a more important predictor of whether it was used or not than its perceived accessibility.

The study (by the present author) observed that chief executives invested time and effort in contacting and interacting with less accessible sources such as customers, competitors and business associates. The chief executives rated these personal sources highly for their ability to provide accurate and usable information. The study suggested that the switch of emphasis from accessibility to quality was because the executives were trying to make sense of a complex and ambiguous business environment, and were personally interested in learning about external trends and developments.

Managing use not technology: a view from the trenches

Every year billions of dollars are spent on information technologies in companies worldwide. I study what people actually do with all those technologies once they have been installed. And from my view in the trenches, recent talk about the "IT productivity paradox" (that the increased investment in IT is not producing increased productivity) is missing a central and simple point – that *expecting any return on IT may be part of the problem*. What we should look for instead is a return on the *use* of IT; IT in itself cannot increase or decrease productivity; only use of it can.

This may sound like semantic hair-splitting but how we talk has deep implications for how we think and act. By emphasising technology in our talk, we have tended to emphasise it in our allocation of attention, resources and measures. Such a focus has come at the expense of understanding what happens in the trenches – what people actually do with technology in their day-to-day activities.

Vision and reality

Over the past few years, I have had the opportunity of studying a pioneering technology – Notes, from Lotus Development Corporation – as it has been adopted and used in many organisations. Notes was designed to facilitate collaboration among people, in contrast to more common software tools that emphasise transaction processing or individual productivity.

Interest in Notes has been high, as has the motivation to enable people to work together across time, space and fields of expertise. In the companies I studied in Europe and the US managers painted compelling visions of how the technology would bring profound transformations in how, when and where work would be done.

Yet with a few exceptions, many of these companies have so far failed to realise their visions – not because their visions are inappropriate (they are not), not because the technology is immature (it is not), and not because implementation strategies have been inadequate (they have not been), but because they have failed to manage the most critical determinant of technology effectiveness in organisations: how people use it to get work done.

By neglecting technology use, we forget that technology is not valuable, meaningful or consequential by itself; it only becomes so when people engage with it in practice. Such neglect encourages us to make simplistic assumptions – that if people have technology they will use it, that they will use it as designed, and that such use will produce the expected outcomes.

On reflection, most of us would agree that such assumptions are naive or faulty. Indeed, our own experiences with technology reveal that we do not passively follow the dictates of machines or of their designers' specifications. Rather, we constantly make choices about whether, how, when, where and for what purposes to use technology. When the order entry system slows to a crawl at peak times, we bypass it. When our car exhaust breaks, we improvise a repair with a bent coathanger. When we want to use a spreadsheet, we learn the basic functions we need and ignore the rest.

We are purposive, knowledgeable, adaptive and inventive agents who engage with technology to accomplish various and changing ends. Where technology does not help us achieve those ends, we abandon it, or work around it, or change it, or think about changing our ends.

As users, we know this about our use of technology. But as managers, we believe that if we can just get the right set of tools, more user-friendly interfaces, better training and support, and closer alignment with business processes, then use (as anticipated) will surely follow, along with the expected outcomes. Because of such beliefs, we concentrate resources, attention and effort on getting the right technologies in the right place at the right time. Unfortunately this effectively ignores "right use".

For example, look at the budget for new systems development and see what percentage of resources is allocated to the initial analysis, design, installation and training activities, and what percentage is earmarked for supporting long-term use. Where the "up-front" budget exceeds the "day-to-day" budget, there are insufficient means – both initially and over time – for users to incorporate the technologies effectively into their work practices.

Two types of technology

In how we manage and measure, we have tended to focus on the "hard" stuff – technology, with its tangibility, relative stability and predictability of performance – and to downplay the "soft" stuff – the everyday use of technology, with its more open-ended, more variable, and less tangible outcomes.

This tendency to favour the more tangible and stable over the less tangible and more variable is a common error. In the area of learning, social scientists Chris Argyris (of Harvard University) and Donald Schon (of the Massachusetts Institute of Technology), have referred to this tendency by distinguishing between "espoused theories" (what we say about how we act) and "theories-in-use" (what our actions reveal about how we act). They note that people are usually unaware of the discrepancy between these, and a fundamental aspect of learning is recognising and dealing with it.

I suggest that we can similarly differentiate between "espoused technologies" (the technologies we buy and install in our offices, factories and homes) and "technologies-in-use" (the technologies we actually use). Espoused technologies are the bundles of hardware and software that consistently provide a given set of predefined features. Technologies-in-use are the specific features we engage with in particular ways depending on our skills, tasks, attention and purposes.

What we buy is given and predefined (espoused technology); what we use is contingent and local (technology-in-use). The two are not the same, and managing and measuring the former as if it were the latter can lead to difficulties.

Some examples may help. One of the companies I studied in my Lotus Notes research was a multinational consultancy which had adopted the technology to facilitate knowledge sharing among its consultants. The managers implementing Notes were very impressed with its technical sophistication, believing it to be what we might now call "a killer app". They concentrated their energies and resources on installing Notes within the firm's infrastructure and on every consultant's PC. And their measurements – number of user accounts established, number of servers installed, number of databases created – indicated that the technology was implemented successfully.

Managing and measuring espoused technology, these managers did not attend much to the technologies-in-use – to what consultants were actually doing with Notes in their everyday practice. If they had, they would have found that consultants were not using Notes to share knowledge; either they did not use it at all or they used it only to transfer files, send memos or access news bulletins.

In the context of this firm, with its competitive "up or out" career path and individualistic work norms, to share knowledge was counter-cultural. Considered as an espoused technology, Notes certainly had the potential to facilitate knowledge sharing. However, what matters in assessing the effectiveness of technology is not espoused technology but technology-in-use.

A similar tale may be told of the research and development division of a large pharmaceutical company. Envisioning seamless, cross-functional project integration through Notes, managers rolled it out to hundreds of scientists across a number of laboratories.

However, this company, like many others, had a hierarchical structure in which scientists were

Closing the cognitive gaps: how people process information

Summary

Information can be seen in two ways: as an object that can be manipulated by technology; and as the outcome of social interactions that create meaning in the minds of human beings. In this article, **Chun Wei Choo** outlines a model of how people acquire and process information. The three basic steps are determination of information needs, information seeking and information use, each of which can be considered in terms of cognitive, emotional and situational factors. Information needs arise when people experience "cognitive gaps" that hinder their progress and induce uncertainty; to bridge these, they must seek good, accessible information sources. The way they use the information acquired depends upon their personality, organisational culture, and emotional factors such as the desire to preserve group identity (hence resistance to information "not invented here"). Ultimately, if we can understand the social aspects of information we will be able to design better information systems.

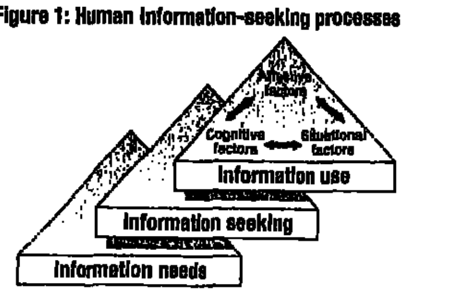
We often see "information" described as a "resource". This implies that information is a "thing" that resides in documents, information systems or other artifacts. The information is assumed to be constant, unchanging. Its meaning is fixed by its representation in the artifact.

A complementary view is to look at information not as an object but as the outcome of people constructing meaning out of messages and cues. Information resides not in artifacts but in individuals' minds. Individuals actively create the meaning of information through their thoughts, actions and feelings.

When we treat information as an object, we are concerned with how to acquire the information that we need, and how to represent the information that we have in order to make it easier to use. When we treat information as constructed by people, we are concerned with understanding the social and behavioural processes through which it is created and used. The social settings in which information is encountered determine its value. A fuller understanding of information seeking as social behaviour helps us design better information processes and information systems.

As shown in Figure 1, we can divide information seeking into three processes: experience of information needs, information seeking, and information use. In this article we will examine the cognitive, affective (emotional) and situational factors that influence each of these processes.

Figure 1: Human information-seeking processes



Information needs

Since the second world war, many studies have attempted to understand how different groups of people – including scientists, engineers, doctors, academics, civil servants, managers and public sector employees – experience and meet information needs. A convincing recent model of such behaviour is the "sensemaking" model developed by Brenda Dervin of Ohio State University.

In the sensemaking approach, a person moves through space and time, taking steps through experiences. As long as he or she can make sense of these experiences, movement ahead is possible. But from time to time, movement is blocked by the perception of a "cognitive gap" – a situation that the person is unable to make sense of. To bridge this gap, the person seeks information to make new sense so that he or she can continue the journey.

Dervin and her associates have completed over 40 studies in the past two decades based on the sensemaking approach. Their research suggests that the ways in which people perceive cognitive gaps and the ways that they want information to help are good predictors of their information-seeking behaviour. Better yet, the ways people define these gaps fall into categories that apply across different groups of information users. Dervin has identified eight such categories (see Table 1).

Cognitive needs are as much felt as thought about. When sense runs out, the lack of understanding creates uncertainty. Carol Kuhlthau of Rutgers University, New Jersey, has found that uncertainty causes anxiety, apprehension, confusion, frustration and lack of confidence, among other symptoms. These affective states in turn direct the way people seek and use information.

Affective responses influence, and are influenced by, individuals' ability to construct meaning, to focus on what information they need, to manage moods and expectations, and to feel personal interest in the search. People cope with the stress of uncertainty in different ways. Research into health information seeking by Tom Wilson at Sheffield University contrasts "monitors", who prefer high levels of information to cope with stressful events, with "blunters", who prefer less information.

At the situational level, information needs arise from the problems, uncertainties and ambiguities encountered in specific contexts and experiences. These relate not just to the subject matter, but also to such things as whether objectives are clear and agreed, the magnitude of risk, the amount and structure of control, professional and social norms, time and resource constraints, and so on.

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As a result, the determination of information needs must not stop at asking "What do you want to know?" but must also address questions like: "Why do you need to know it?" "What does your problem look like?" "What do you know already?" "What do you anticipate finding?" and "How will this help you?" Susan MacMullin and Robert Taylor of Syracuse University, New York, suggest that situations should in fact be analysed in terms of 11 "problem dimensions" (see "Information needs and problem solving" box on page 8).

Information seeking

Experiencing information needs may lead to information seeking. This resembles a problem-solving or decision-making process. An individual identifies possible sources, selects which ones to use, locates or makes contact with them, and interacts with them to obtain the desired information.

In today's rich information environment – where human attention is a scarce resource – how do people allocate time and energy when searching for information? Research suggests that they weigh the amount of effort required to use a source against its anticipated usefulness. This cost/benefit evaluation is affected by the individual's personal interest and motivation, and by the complexity of the task at hand.

At the cognitive level, an individual selects a source that he or she considers most likely to provide relevant, usable and helpful information. Relevance and usability in turn may depend upon how up-to-date and comprehensive the information is. Another important factor is the perceived reliability of the source. Research into information seeking often groups some or all of these attributes under the rubric of "perceived source quality" in order to examine their effect on source use.

At the affective level, an individual's personal interest in a problem determines the amount of energy he or she invests in seeking information. Carol Kuhlthau has noted that as information searches progress, initial feelings of uncertainty and anxiety fall as confidence rises. If a clear theme is developed to focus the search, the individual may become more highly motivated.

Drawing on social learning theory, Tom Wilson argues that since a feeling of personal mastery about using a source leads to greater use of that source, doubt about one's ability to use a source would conversely lead to that source not being used. This may be the case even if the source is per-

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Category	Situation
Decision stop	Person sees two or more roads ahead
Barrier stop	Person sees one road ahead but it is blocked
Spin-out stop	Person sees self as having no road
Wash-out stop	Person sees self as on a road which suddenly disappears
Problematic stop	Person sees self as being dragged down a road unwillingly
Perceptual embeddedness	Person judges how foggy the road ahead is
Situational embeddedness	Person judges how many intersections are on the road
Social embeddedness	Person judges how many people are also travelling

Table 1: Dervin's eight cognitive gap categories

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ceived to contain relevant information.

Selection and use of sources is influenced by the amount of time and effort required to locate, contact and interact with them. At least three different kinds of effort or costs may be pertinent: physical effort (to travel to the source, say); intellectual effort (for example, to learn a classification system or computer application); and psychological effort (for example, to deal with an unpleasant source).

These situational attributes can be bundled together as "perceived source accessibility". The selection of sources then depends on their perceived quality and perceived accessibility. Other factors that influence information seeking are the complexity of the task and environment. A task with many interdependent elements which interact unpredictably may require broader information gathering and processing. Similarly, a volatile external environment may necessitate more information scanning (see box on page 10).

Information use

Just as there are eight categories of information need, Brenda Dervin and Robert Taylor propose that there are eight general categories that describe how people use information: to develop a context; to understand a particular situation; to know what to do and how to do it; to get the facts about something; to confirm another item of information; to project future events; to motivate or sustain personal involvement; and to develop relationships and enhance status or personal fulfillment.

An individual's cognitive style and preferences affect the way he or she processes information. A number of classifications have been developed to differentiate personality types and cognitive preferences. A widely used method is the Myers-Briggs Type Indicator (see box, below right).

Another common cognitive style variable is "field dependence". Field-dependent individuals respond uncritically to environmental cues, whereas field-independent people orientate themselves correctly in spite of environmental cues. Daniel Kahneman (Princeton University) and Amos Tversky (Stanford University, California) have discovered that when people use information to make judgments they take cognitive shortcuts to make the information easier to process. Unfortunately, these simplifications are fallible.

For example, to judge whether an event belongs to a given category, people rely on mental stereotypes, but they often ignore other relevant information, such as the distribution of categories in the general population. To judge the frequency or likelihood of an event, people over-rely on recent, vivid, easy-to-recall information. To estimate a quantity they make adjustments from an amount initially measured or suggested, but these adjustments are often inadequate.

At the affective level, people avoid using information that will arouse strong, negative emotions in others or in themselves. People use information selectively to avoid embarrassment, conflict or regret; to maintain self-image; and to enhance personal status or reputation.

For example, decision makers will positively evaluate and continue a course of action even when the available information indicates that they should withdraw to cut their losses. One psychological factor behind such "escalation of commitment" is the desire to save face. Decision makers persist because they do not want to admit to themselves (let alone others) that they have made an error. In organisations where error-free decision making is valued, managers may attempt to hide their mistakes or postpone their discovery.

Another example of using information selectively to minimise unpleasant feelings is the "not-invented-here" syndrome: the tendency of a long-standing group to reject new information from outside. Over time, people increase the amount of order and stability in their work environments to reduce stress and uncertainty. As a result, the longer individuals have belonged to a group, the stronger their emotional attachment to group beliefs and decisions that they helped create, and the more resistant they are to new ideas and information from outside.

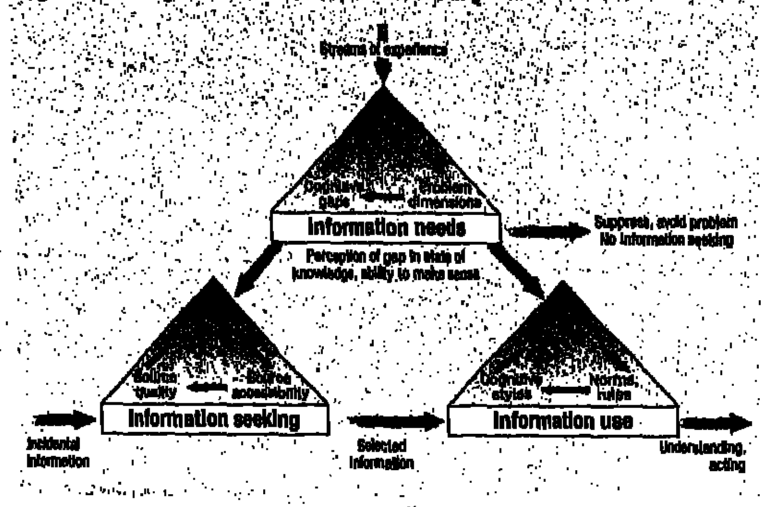
As far as situations are concerned, the norms and rules of the group, profession or organisation can influence the way information is processed and used. For example, Irving Janis of Yale University has observed how highly cohesive groups are susceptible to "groupthink". This happens when group members seek concurrence to such an extent that they choose to ignore or undervalue information that threatens group beliefs and solidarity.

Donald Schon of the Massachusetts Institute of Technology has investigated how professions develop their own languages, values, overarching theories, and role definitions. Members adopt these as frames of reference through which information is processed to describe and explain reality, and to reaffirm professional identity.

Edgar Schein of the Sloan School of Management defines organisational culture as a pattern of assumptions developed by an organisation as it learns to cope with problems of external adaptation and internal integration. Because these assumptions have worked in the past, they are taught to new members as the correct way to approach those problems. As a result, the organisation develops a shared framework which its members can use to make sense of information collectively.

Another important feature of organisational culture is organisational politics. In contests for influence and power, information may be used as a resource to protect vested interests or to justify certain courses of action.

Figure 2: An integrated model of information seeking



An integrated model

The three processes described so far can be integrated into a general model of how humans seek information. As shown in Figure 2, individuals experience information needs when they perceive gaps in their knowledge or their ability to make sense. This experience is shaped by cognitive, affective and situational factors. People may choose to suppress the need by, say, avoiding the problem situation or they may decide to bridge the gap through purposive information seeking.

During information seeking, sources and information are selected according to their perceived accessibility and quality, the complexity of the task and the personal interest of the seeker. Information may also be received "incidentally" – through a casual conversation, say, or when idly channel-hopping – rather than through deliberate efforts.

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Information needs and problem solving

Information is typically needed to solve a problem. Users therefore value information that is not just about the topic in question, but that also helps them deal with the specific requirements of the problem situation. Susan MacMullin and Robert Taylor of Syracuse University have identified 11 problem dimensions that amplify information needs. These dimensions also form the criteria that people apply to judge the value of information.

Problem dimensions: problems lie on a *continuum between...*	Information needs (examples)
[illegible]	[illegible]
2 Well-structured Ill-structured	Hard, quantitative data *Probabilistic data on how to proceed*
3 Simple Complex	Path to the goal Ways to reduce problem to simpler tasks
4 Specific goals Amorphous goals	How to achieve and measure the goal Preferences and directions
5 Initial state understood Initial state not understood	Clarify unclear aspects of initial state Soft, qualitative data to define initial state
6 Assumptions agreed upon Assumptions not agreed upon	Information to help define problems Views of the world, definition of terms
7 Assumptions explicit Assumptions not explicit	Range of options, frames to analyse problems Information to make assumptions explicit
8 Familiar pattern New pattern	*Procedural and historical information* Substantive and future-orientated information
9 Magnitude of risk not great Magnitude of risk great	Cost-effective search Best available information: accurate, complete
10 Can be analysed empirically Cannot be analysed empirically	Objective, aggregated data Experts' opinions, forecasts, scenarios
11 Internal imposition External imposition	Clarification of internal goals, objectives Information about external environment

The Myers-Briggs personality matrix

One of the most widely used personality assessment instruments in the world is the Myers-Briggs Type Indicator (MBTI) classification, which is developed from the work of Carl Jung. MBTI analyses personality types on the basis of four pairs of traits:

- ***Introversion versus extroversion***
  Introverts draw mental energy from themselves whereas extroverts draw energy from others.
- ***Sensing versus "intuiting"***
  Sensing types rely on information perceived through their five senses. Intuitive types rely more on patterns, relationships and hunches.
- ***Thinking versus feeling***
  Thinking types use information to make logical decisions based on objective criteria. Feeling types depend on personal values to decide between right and wrong.
- ***Judging versus perceiving***
  Judging types move quickly to closure by making use of the available information. Perceiving types keep their options open by taking their time to gather sufficient information.

These four pairs of attributes are combined to create a matrix of 16 personality types. As indicated above, each personality type is expected to have a distinctive way of processing and using information.

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Weighing the price of joining the EU

Closer links now being forged with Brussels have raised again the controversial prospect of eventual full membership, writes **William Hall**

Switzerland is on the mend. The stream of negative economic news and international criticism, which have dogged the country for the past couple of years, has subsided, and self-confidence has started to recover.

The Swiss economy is not back to where it was at the start of the decade, when it was held up as an international role model. Several years of economic stagnation have deflated that myth. But it did grow faster in 1998 than at any time since 1990.

Switzerland has also shed its temporary image as Europe's most unpopular country. The initial arrogance and insensitivity of the big Swiss banks in dealing with unclaimed bank accounts dating back to the Holocaust era attracted an inordinate amount of world attention in 1997 and 1998.

The criticism has abated, however. An international historical commission, under Professor Jean-François Bergier, is digging through public and private records to establish what role a neutral Switzerland really did play in the second world war. A huge search for unclaimed Swiss bank accounts of Holocaust victims, headed by Paul Volcker, the former chairman of the US Federal Reserve, is almost finished.

Meanwhile, UBS and Credit Suisse, the two biggest banks, have defused the endless criticism of Switzerland's wartime role by agreeing to pay $1.25bn to settle the US class actions they faced from American Holocaust survivors.

Many Swiss regarded it as international blackmail. But the settlement, which also released the Swiss government, Swiss National Bank, and Swiss industry from future claims, has taken Switzerland's name out of the headlines.

The final piece of good news for Switzerland is that it has almost finalised its long, drawn-out bilateral negotiations with the European Union. It has had a free trade agreement since 1972. But in 1992 the Swiss Government's bid to join the European Economic Area was rejected by 50.3 per cent of the population and 16 cantons. Since then, Switzerland has been trying to salvage some of the benefits of closer ties with the EU, which accounts for over two-thirds of its foreign trade.

Last December, a deal was agreed covering areas such as free movement of people, membership of EU research projects, and improved transport access. It will cost Switzerland an estimated SFr350m a year, plus the unquantified costs of providing unemployment benefits to EU citizens, which might be another SFr500m.

Switzerland has had to make a number of painful concessions, such as lifting the ban on 40-tonne EU trucks, which means that there is still an outside risk that the deal, due to be phased in from 2001, could be rejected by a popular referendum.

Nevertheless, the big question now for Switzerland is whether the deal marks the final step in normalising its commercial relations with the EU, or is the first step towards eventual EU membership. Switzerland's economic ties with the EU are stronger than any other non-EU member.

In February, the Swiss government published a 400-page "integration report" summing up the advantages and disadvantages of EU membership in response to a forthcoming referendum calling for Switzerland to open membership negotiations. The report provides the raw material for debating an issue which is likely to figure prominently in the run-up to the country's general election in October.

The economic case for EU membership is not as strong as sometimes suggested. Switzerland's big multinationals are well entrenched already in the EU, and while non-membership has probably hurt Switzerland's medium-sized companies, the Swiss economy remains surprisingly competitive.

If Switzerland were to join the EU it would remove one big competitive advantage – the low cost of capital. Hans Kaufmann, Bank Julius Baer's chief economist, calculates that convergence would cost Switzerland more than SFr20bn.

EU membership would pose serious problems for Switzerland's agricultural sector, which enjoys the world's highest subsidies. It would also threaten Switzerland's tax advantages and bank secrecy laws, two rarely-mentioned reasons why Switzerland controls around one-third of the world's offshore private banking market. The OECD and the EU are already taking a keen interest in curbing Switzerland's perks in these areas.

Joining the EU should enhance Switzerland's attractiveness as a business location and probably raise its below-average rate of growth. But Switzerland is one of the world's richest countries, so it will probably have to pay SFr3bn a year for the right to join the EU club. It is figures like these which explain why only 51 per cent of Swiss, polled recently by Swiss TV, favoured joining the EU.

The main advantages are on the political front. But here again the Swiss need more convincing. Ruth Dreifuss, 59, Switzerland's first woman president, says that nation-states, such as Switzerland, are no longer adequate on their own to respond to the growing number of global problems.

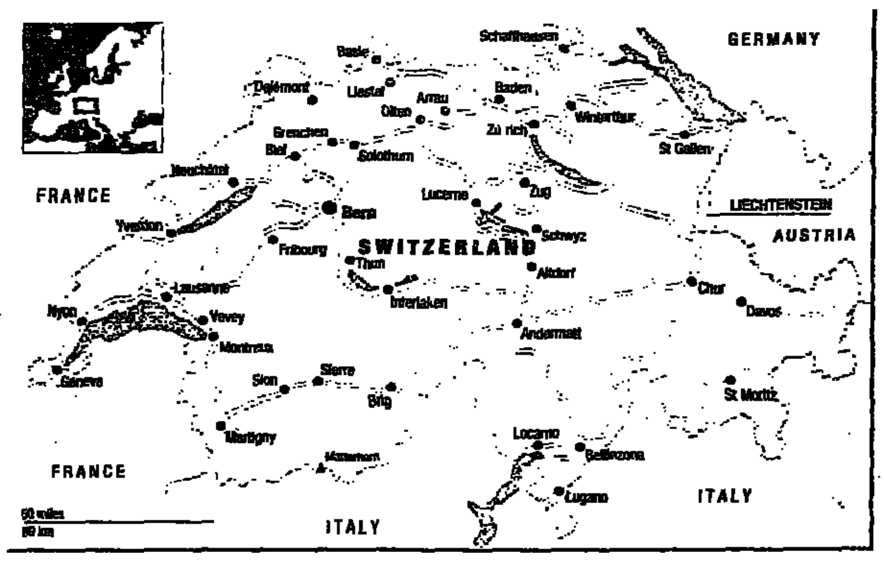
Joining the EU has its benefits in areas such a co-ordinated policy on asylum-seekers, but that is not enough to convince Switzerland's Eurosceptics, led by Christoph Blocher, a successful businessman and populist politician.

The recent resignation of Flavio Cotti, Switzerland's foreign minister, and Arnold Koller, the justice minister, are part of an increasingly desperate shake-up of the Christian Democrat party (CDP), designed to thwart Mr Blocher's increasing popularity, which is siphoning away the party's support.

It will be up to Joseph Deiss, 53, Mr Cotti's successor as Switzerland's foreign minister, to sell the benefits of EU membership, which threatens to increase the already deep divide between Switzerland's sceptical German-speaking majority and the pro-EU French-speaking part of the country.

Swiss business leaders, such as David de Pury, a merchant banker and former co-chairman of ABB, reject Mr Blocher's isolationist policies. "Rather than trying to preserve the illusion of total sovereignty by remaining outside the EU, Switzerland should join the club and help develop in it the recipes that it applied so successfully within its own borders."

He singles out Switzerland's economic liberalisation and efforts to defend cultural and social diversity as areas where the rest of Europe could learn from Switzerland. It is an argument which makes eminent sense to outsiders. Whether it makes sense to the Swiss remains a moot point, which perhaps explains why the world does not take Switzerland as seriously as it should.



Constitution

- **Official name**
Swiss Confederation
- **Form of state**
Federal republic
- **Legal system**
Based on the constitution of 1874
- **National legislature**
Bicameral Federal Assembly (parliament), comprising the National Council and Council of States. National Council of 200 members directly elected by proportional representation using the Hagenbach-Bischoff quota, except in the smallest cantons where the single representative is elected by the plurality (first-past-the-post) system. Council of States of 46 members representing the cantons. Any law passed by both houses may be submitted to a referendum if demanded by eight cantons or 50,000 citizens.
- **Electoral system**
Universal direct suffrage over age 18
- **National elections**
Last federal election October 22 1995; next federal election scheduled for October 24 1999
- **Head of state**
The *de facto* head of state is the president (currently Ruth Dreifuss) of the Federal Council, although constitutionally this role is filled by the council as a whole
- **State legislatures**
Each of the 26 cantons and *half-cantons* has a parliament elected by universal suffrage and a government whose organisation varies from canton to canton. In two, the principle of universal sovereignty is exercised directly through assemblies of all voters. The cantons are sovereign in all areas not specifically entrusted to the federal government.
- **National government**
Federal Council (the executive authority) of seven members elected for a four-year term by, but not necessarily from, the Federal Assembly. The president and vice-president are elected for a one-year term which is not immediately renewable. Since 1959 the Federal Council has contained two members each of the Social Democratic party, the Radical Democratic party and the Christian Democratic party, and one member from the Swiss People's party. The Federal Council was re-elected in December 1995

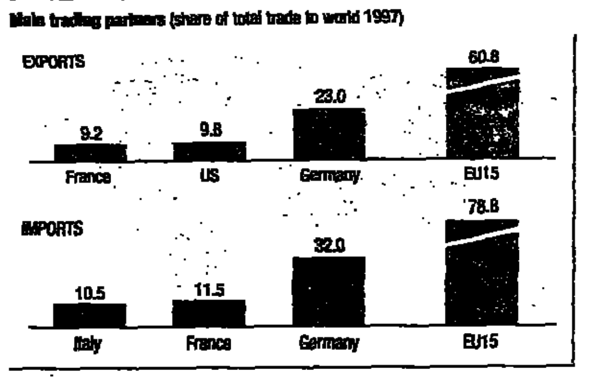
- **Area:** 41,288 sq km
- **Languages:** German, French, Italian
- **Population:** 7.1 million (1998 off. est.)
- **Currency:** Swiss franc (SFr)
- **Exchange rate:** 1998 av $1 = SFr1.45
March 15 1999 $1=SFr1.463
- **Main towns & population (Jan 1 1997)**

Bern (capital)	131,898
Zürich	354,261
Basle	177,143
Geneva	175,007
Lausanne	121,304

Economic summary

	1998	1999 (forecasts)	2000
Total GDP ($billion)	282.2	304.4	308.4
Real GDP growth (annual % change)	2.2	1.3	1.6
GDP per head ($)	38,621	42,212	42,476
Inflation (annual % change in CPI)	0.1	0.5	0.8
Industrial production (annual % change)	5.3	2.9	2.9
Unemployment rate (% of workforce)	4.1	3.9	3.8
Government expenditure (% of GDP)	12.5	12.1	11.8
Current account balance ($billion)	18.2	18.5	18.5
Merchandise exports ($billion)	94.7	101.1	110.5
Merchandise imports ($billion)	-95.8	-101.2	-110.1
Trade balance ($billion)	-1.1	-0.1	0.4
Federal budget balance (% of GDP)	-1.6	-1.2	-0.7

Main trading partners (share of total trade to world 1997)



Sources: Economist Intelligence Unit; Datastream/ICV

THE ECONOMY by Frances Williams

Asia is blamed for slowdown

Consumer demand and investment in plant and equipment are expected to provide the brightest prospects this year

Switzerland's economy grew by 2.1 per cent last year – faster than at any time since 1990 – but this year the forecasts are more gloomy. After spurting by over 3 per cent annually during the winter of 1997-98, economic activity has steadily slowed, and most forecasters are predicting growth in 1999 of no more than 1.5 per cent.

Like other European economies, Switzerland has been hit by the repercussions of the Asian crisis, which has dampened exports, not just to the region but to the faltering economies of its biggest market, the European Union. Nearly two-thirds of Swiss merchandise exports go to EU members; nearly a quarter go to Germany alone.

Incoming orders for Switzerland's machinery, electronics, and metals industry – its largest export sector – fell 2.6 per cent last year but were down a worrying 14 per cent in the 12 months to the fourth quarter.

The Asian crisis has thus effectively dashed Swiss hopes of making a solid recovery from the most prolonged period of economic stagnation since the second world war. However, most economists think growth will slowly pick up this year, in common with other European economies, to reach 1.5 to 2 per cent in 2000.

Consumer demand and corporate investment in new plant and equipment are expected to be the main motors of growth in 1999, while the depressed construction sector will bump along the bottom. A pick-up in exports, the driving force behind the recovery in 1997-98, will have to await an acceleration in the world economy predicted for the second half of the year.

There is not much Swiss policymakers can do to change this course. Monetary policy is already accommodating and guided for the moment mainly by the need to stop the Swiss franc from appreciating too strongly, which would erode the competitiveness of Swiss companies.

Bruno Gehrig, a member of the Swiss National Bank's policy directorate, said recently that the central bank still had room to push money market rates lower. "I think the downside leeway is not yet completely exhausted," he said, noting Switzerland's near-zero inflation rate and sluggish economic activity.

A rise of 1 percentage point in the standard rate of value added tax to 7.5 per cent in January appears to have had little effect on prices so far, helped by falling wholesale prices and raw materials costs. The government's advisory economic policy commission is predicting inflation to average 1 per cent this year against zero in 1998, and others believe it may be less.

Still, with the official discount rate at an historic low of 1 per cent, and money market rates half equivalent euro-rates, a loosening of monetary policy risks having – in Keynes's phrase – the same effect as pushing on a piece of string.

The fiscal room for manoeuvre is even more circumscribed. After a string of big deficits this decade the government is aiming for budget balance by 2001, defined in practice as a deficit of less than SFr1bn. That will mean further spending cuts over the next two years.

Though the 1998 deficit of SFr2.5bn was much smaller than the budgeted SFr7.6bn, the projected deficit this year is around SFr4bn, falling to SFr1.9bn in 2000.

The 1998 accounts, which do not include the one-off SFr2.9bn in proceeds from the partial privatisation of Swisscom, the state-owned telecoms operator, benefited in particular from falling unemployment and a buoyant stock market which boosted taxes on dividends and stamp duties.

Slower growth this year is likely to halt the drop in the number of jobless, now under 3.5 per cent of the workforce. Meanwhile, the stock market is looking much more vulnerable to bad news.

The Swiss government can take some satisfaction from the fact that, contrary to expectations last year, the general government deficit did not overshoot the EU's criterion for joining the single currency, coming in well under 3 per cent of GDP. This year's public deficit is budgeted at 1.9 per cent of GDP, easily within target.

However, public debt, which has soared during the 1990s, is predicted to reach SFr210bn by end-1999, close to the limit for EU economic and monetary union of 60 per cent of GDP.

Though Switzerland cannot join the euro, as it is not an EU member, it has always prided itself on running the economy at least as well as its neighbours. With the advent of the euro this year the country cannot afford to get too far out of line with the euro-zone countries, which include its main trading partners.

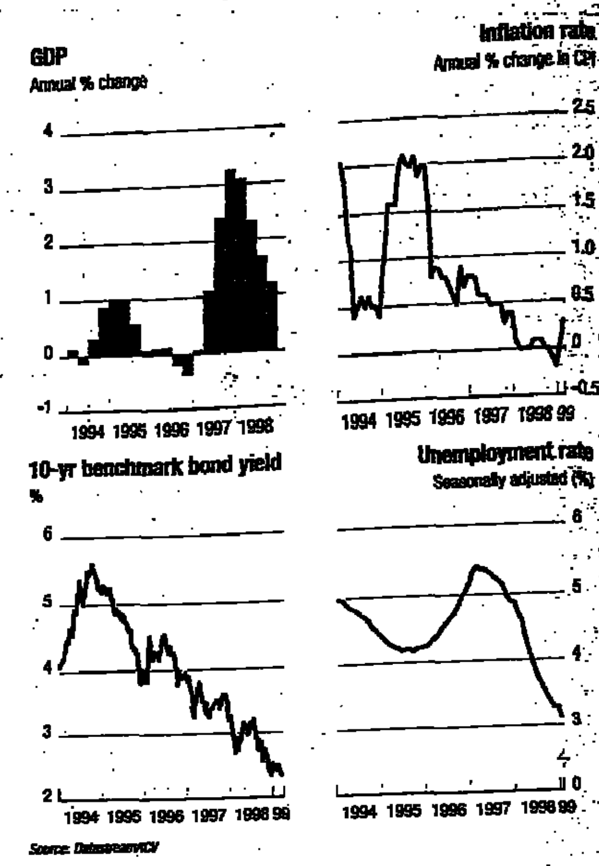
Though the central bank denies it is pursuing a policy of shadowing the euro, many analysts believe it has in mind an acceptable benchmark of around €1.57, below which it would take action to bring the franc down.

Nervousness over Brazil pushed the franc close to this level earlier this year. Though it has not experienced the sustained upward pressure feared by the pessimists, the Swiss currency's status as a haven from turmoil on foreign exchange markets is expected to keep it strong against the euro in the foreseeable future.

Lombard Odier, a Geneva private bank, also points to Switzerland's high national savings rate and its SFr400bn-plus net assets abroad which virtually guarantee a large permanent current account surplus.

The latest estimates indicate that, despite a swing in the trade balance from surplus to deficit, the current account surplus last year was a hefty SFr31.1bn, or more than 8 per cent of GDP.

In the longer term, and in possible anticipation of Swiss EU membership, most economists expect a gradual convergence of Swiss and euro-zone interest rates. Hans Kaufmann, of Zurich-based Bank Julius Baer claims convergence alone could cost Switzerland more than SFr20bn, an uncomfortably high price for the benefits of EU membership and the euro-peg.



Source: Datastream/ICV

BANKING by William Hall

Secrecy giving way to practicalities

The Swiss are discovering that many of their long-standing banking advantages are no longer unique

Switzerland's big banks, which have built their reputation and profits on the country's bank secrecy laws, have finally decided that it is time to start telling the world a bit more about their business.

The criticism they have faced over the past couple of years because of their insensitive handling of the dormant accounts of Holocaust victims has died down following the decision of UBS and Credit Suisse to pay $1.25bn to settle the legal claims against them in the US. But the American litigation has underlined the vulnerability to external pressure of big banks from a small country which want to play in the premier banking league.

UBS's bid for Swiss Bank Corporation was very nearly blocked because of the Holocaust asset controversy in the US. What is to stop US legislators using the same tactics again, for example, if Switzerland refuses to bow to American demands to water down its bank secrecy laws and hand over information which might be useful to the tax authorities there?

The days when Switzerland's bankers could smugly ignore what was going on in the outside world have disappeared. A country of 7m people is far too small to support two of the world's biggest banks and two of the biggest insurance companies. If Swiss financial institutions are to continue to grow they have to expand internationally, and this means that increasingly they must fall into line with the rules and regulations of other countries.

It is against this background that the Swiss Bankers' Association (SBA), the umbrella organisation for the country's 400 banks, will hold its first international road show – in the City of London in April. Pascal Couchepin, Switzerland's new economics minister, will be there, as will top executives from the Swiss National Bank, Swiss stock exchange, and the big Swiss banks. It will be followed by visits to other financial capitals.

"We have a very good brand that deserves to be sold," says Jean-Marc Felix, the SBA's head of publicity. Mr Felix used to work for Kuoni, Switzerland's most successful travel agency, and has been hired to inject some PR expertise into a trade organisation which until now has been more interested in policing the Swiss bank rule book than advertising the advantages of the country as a financial centre.

Switzerland is no lightweight in terms of financial fire-power. It is the world's biggest offshore banking centre, and the SBA estimates that Swiss banks manage SFr3,619bn in assets, or around one-third of the world's offshore private wealth. The Swiss franc is the world's fifth most important currency after the US dollar, euro, yen, and sterling.

The country's 400 banks employ more than 150,000 people, and the SBA estimates that they contribute 9 per cent of the country's gross national product, more than twice as big a contribution as German and French banks. In terms of GNP per employee, Swiss banking is nearly twice as productive as chemicals, another industry where Switzerland is a world leader.

Both the OECD and the European Union are working on measures to harmonise tax legislation

There are a number of reasons for Switzerland's banking success. It is an efficient, small country lying at the heart of Europe. Zurich, Geneva, and Lugano are within an hour's flight of virtually every European capital. Swiss bank staff are used to operating in all three languages of Switzerland's immediate neighbours, Germany/Austria, France, and Italy.

Swiss banks have always been more international than their peers. Credit Suisse's chief financial officer is an American and its head of asset management is an Australian. UBS's asset management chief is an American multi-millionaire based in Chicago, and Warburg Dillon Read, its investment bank, is run from London by a Dutchman. English is the main business language of most Swiss banks.

Add in the strength of the Swiss franc over the years, plus the combination of low inflation, political stability, a tradition of neutrality, and strong bank secrecy laws, and it is easy to see why banking is big business for the Swiss.

However, many of these advantages are no longer unique to Switzerland, and at the same time two of Switzerland's biggest competitive advantages – its bank secrecy laws and its favourable tax treatment of non-residents – are coming under attack.

Both the OECD and the European Union are working on measures to harmonise tax legislation.

The European Commission wants to compel members-states to either report interest payments to private individuals resident in the EU to the relevant tax authorities, or to levy a withholding tax of 20 per cent. In the short-term this works in the favour of Switzerland, a non-EU member, as money moves into Swiss banks to escape the EU proposals.

Victor Füglister, deputy chief executive of the SBA, says that such a reporting obligation is "simply out of the question as far as Switzerland is concerned". Switzerland has also refused to implement the recommendations of last year's OECD report on "Harmful Tax Competition", which it described as "partial and unbalanced".

The EU has made clear it wants other countries, such as Switzerland, to adopt its plans for tax harmonisation. Mario Monti, the EU Commissioner responsible for tax harmonisation, visited Switzerland earlier this month to sound out the government about his plans.

For the moment Switzerland is standing firm. However, some Swiss bankers and policymakers believe that over time it will have to bow to pressures from the EU if it wants to form closer ties. "There is no mystery that some authorities will try to force more bank disclosure, and tax harmonisation will be the tool," says Rudi Bogni, head of UBS Private Banking, the world's biggest private bank.

Swiss banks need to do a better job convincing the world at large that the country's bank secrecy laws are designed to protect an individual's right to privacy, rather than their right to escape paying taxes.

Until now they have failed to make a convincing case, which may help explain their decision to step out and argue their case abroad.

PROFILE
RUTH DREIFUSS

There's two firsts for la Présidente

Ruth Dreifuss: 'We must draw lessons from past mistakes' AP

Ruth Dreifuss, Switzerland's home affairs minister and this year's holder of the rotating presidency, is not in the least presidential. Her plain office in the interior ministry building would probably be sniffed at by a senior civil servant in most European administrations.

She has no entourage. Her press officer wears jeans. The atmosphere is informal and open, just like Madame la Présidente.

The president's job, which is passed around the seven-member coalition cabinet, carries no real power, but for a year the person who holds the presidency is the face Switzerland presents to the world. The face this year is that of Switzerland's first female and first Jewish president in 700 years of nationhood – and a socialist, feminist trade unionist to boot.

Symbolic perhaps, but a helpful corrective to the prevalent image of Switzerland as a nation of Alpine pastures, chocolate, and impassive bankers in suits calmly counting their money derived from the horrors perpetrated by the Nazis.

Ms Dreifuss welcomed last year's $1.25bn settlement by the two big Swiss banks with Jewish organisations, which effectively put an end to threats of lawsuits and financial sanctions against Swiss banks and industry. But she says Switzerland must continue its efforts to come to terms with its past and draw lessons from its mistakes.

One such lesson, she argues, is the need for Switzerland to take a more open world view and a more active role in international institutions, both in its own interests and for reasons of solidarity.

A former government aid worker, Ms Dreifuss is a strong supporter of the proposed Swiss Solidarity Foundation to help victims of human rights abuses and disasters worldwide.

Like her fellow cabinet members, she also hopes Switzerland will soon join the United Nations and become a full member of the European Union. Even in the home affairs ministry, she says, problems are no longer simply domestic. The fight against Aids, coping with drug addiction, social security policies, to take just three examples, all need to be considered in a wider European or international context.

Ms Dreifuss has nevertheless put her own personal imprint on the work of the ministry since taking over the helm five years ago. In particular, she has fought to maintain and improve Switzerland's social welfare system, including introduction of a state-financed maternity benefit. She also plans a revision of the state pension scheme that will give men and women equal treatment and a flexible retirement age.

To push this plan through, and keep Switzerland's social policies in socialist hands, Ms Dreifuss renounced the chance afforded by a cabinet reshuffle in March to take on the more prestigious foreign affairs portfolio for which many thought she was ideally suited.

Apart from her international outlook, Ms Dreifuss speaks all three Swiss languages – mother tongue French, German, and Italian – as well as English and Spanish. Born 59 years ago at St Gall, in German-speaking eastern Switzerland, she spent most of her childhood in francophone Geneva, the canton she now represents in the cabinet.

Ms Dreifuss, who is single, did not follow the traditional course of a politician, working as a secretary and journalist before completing an economics degree at the age of 30. In the 1970s she worked for the government's development and co-operation agency before becoming secretary of the biggest Swiss trade union federation.

Elected to the cabinet in 1993, she was only the second woman to gain this rank since women were given the vote in 1971. However, a third, lawyer Ruth Metzler, was elected earlier this month. Ms Dreifuss can take some satisfaction from the fact that, during her presidency, the cabinet has two women members.

Frances Williams

Shortage of experience is no bar

Ruth Metzler, 34, is the freshest face in Switzerland's seven-member Federal Council, writes **William Hall.**

She is not only the youngest Federal Councillor but also comes from the smallest Swiss canton, Appenzell Inner-Rhodes. In fact, it is only a half canton, and with a population of 14,800 is smaller than many English district councils.

Mrs Metzler studied law at Fribourg University and works for PricewaterhouseCoopers, the international accountancy firm, as well as being Appenzell's part-time finance director. She was the first woman to be elected in Appenzell, which was also the last canton to give women the vote.

Her election as Federal Councillor caught many Swiss by surprise because she has no experience of national politics and has spent less than three years in local government politics. She belongs to the Christian Democrats, one of the four parties in the coalition government, and their share of the vote has been slipping.

Many observers see her appointment as an effort to rejuvenate the party's image ahead of next October's national elections

Ruth Metzler Keystone

THE CANTONS by Frances Williams

Regional reform clock ticking

Campaigns to consolidate local government are beginning to gather momentum

An unexpected spin-off from Switzerland's debate on its future within Europe has been a questioning of the role of its 26 cantons. The implications, for many Swiss, could be as profound as a move to join the EU.

The Swiss are pretty parochial, and proud of it. Strong local identities have their roots deep in the past – in isolated mountain communities and in the tiny independent states that one by one chose to adhere to the Swiss confederation.

Even today, Swiss children inherit citizenship of the commune of their ancestors. And while the Swiss cantons are no longer independent states, they retain their distinct identities and many of the vestiges of statehood.

They have their own constitutions and parliaments which pass laws; they set their own income and corporation taxes; they have their own education and welfare systems and their own environmental rules. The "Republic of Geneva" even publishes its own balance-of-payments statistics.

With the exception of the creation of the canton of Jura in 1979, the boundaries of the cantons (including six autonomous half-cantons) have barely changed since Switzerland became a modern federal state in 1848. In the past few months, however, proponents of a merger between Geneva and Vaud in French-speaking Switzerland have begun collecting signatures for an eventual referendum. Politicians in north-west Switzerland have formed a cross-party group to campaign for a region based around the Rhine city of Basle.

Meanwhile, the six small cantons of central Switzerland, already linked through a co-operative forum (and the Lucerne football team), have started talks on forming a single region. A local poll in January found that 87 per cent of those questioned wanted closer cantonal collaboration and, surprisingly for an area seen by the rest of Switzerland as deeply conservative, as many as 40 per cent viewed with approval the creation of a central Swiss region by 2006.

These moves have even prompted Switzerland's Green party to consider launching a national referendum campaign later this year to replace the cantons by as few as seven regions.

Why all this activity now? After nearly a decade of sluggish economic growth and the prospect of EU membership some time in the next decade, Switzerland's administrative fragmentation is increasingly seen as an expensive anachronism.

Campaigners for change say that, with a population of just 7m, Switzerland can no longer afford the luxury of 26 separate local governments, several so tiny that two still hold outdoor assemblies to vote on cantonal matters.

"Switzerland has 28 waste incineration plants and 80 hospitals, a density unique in the world," the Tribune de Genève wrote recently. "But at what cost?"

It took the shock 1992 referendum rejection of Swiss membership of the European Economic Area – which would have given Switzerland reciprocal access to the EU's single market for goods, services, capital and labour – for the government to take steps to end protectionist practices by cantons that restricted internal trade, such as barring craftsmen and professionals without cantonal qualifications.

The cantons were also persuaded to open their public purchasing to bidders from other cantons without discrimination. Otherwise, under Swiss membership of a World Trade Organisation accord on government procurement, foreign companies would have had better access to cantonal contracts than Swiss ones on the wrong side of the cantonal border.

Many barriers remain. Insurers require patients to seek treatment within their canton rather than where costs are lowest; cantonal employees are subject to residence restrictions; cantonal governments jealously guard their prerogatives and cantonal workers their jobs, even though financial pressures have inevitably led to more collaboration.

However, for many Swiss, this is no longer enough. Apart from wasteful duplication of tasks, they point to the huge disparities between cantons in size and wealth, taxation, and provision of amenities.

Zurich, for instance, with 1.2m inhabitants, accounts for over one-fifth of Swiss national income, while Appenzell Innerrhoden has just 14,500 residents and contributes a miniscule 0.15 per cent of national income. At the same time, residents of Zug, famous for its low taxes, work in Zurich, the country's commercial centre, and use its amenities but pay little or nothing towards them.

Even the IMF was last year moved to tell Switzerland to simplify its inefficient tax "jungle" under which the cantons not only charge different tax rates but have different taxation systems.

Though views differ on the "natural" division of Switzerland into a few regions, the seven regions recently delineated by the Swiss statistics office for statistical purposes have taken on a certain life of their own.

Drawn up in consultation with the cantons, the regions reflect a division based on common history, geography and interests – so much so that the cantons have had to deny that they represent a blue-print for eventual reform.

Nevertheless, Credit Suisse, the banking group, published a study in February showing how such a division would reduce inequalities in tax rates, the tax base and access to public services, with each region having at least one important urban centre surrounded by dormitory villages and countryside.

No one expects rapid change. It may take a decade or more for the first cantons to coalesce. But what was until recently almost unthinkable has now become simply a matter of time.

Holding the Swiss Guard's flag, and with his right hand raised to signify the Trinity, a new recruit swears his oath of allegiance to the Pope AP

VATICAN SWISS GUARD by Jennifer Grego

A long and glorious history

Some centuries-old traditions survive as the Pope's protectors face fresh challanges of the new millennium

Switzerland has all sorts of export industries, but the most exotic must be the Swiss guard, the world's smallest army, which has guarded the Pope for nearly 500 years. Its soldiers are drawn largely from the catholic cantons of central Switzerland and are a throwback to the days when Switzerland's main export-earner was its fighting men.

In the 14th century there were 15,000 Swiss mercenaries who left in summer to help the French, Italians and Germans win their battles, before returning home for winter. The mercenaries were renowned for their courage in battle and loyalty to those they served.

Today, all that remains is the Pope's 105-strong Swiss Guard. Their basic weapon is still a seven-foot long boarding-pike, and who is to say whether a pair of smartly-crossed pikes at the foot of the Scala Reggia wielded by two tall figures in 16th century dress designed by Michelangelo is not more disconcerting than a policeman with a gun-belt?

Any young recruit needing inspiration and encouragement for long hours of guard duty in a picturesque but hardly comfortable dress uniform has only to take a short walk to the "Stanze of Heliodorus" to see one of Raphael's finest works: *The Miraculous Mass of Bolsena.* Here a group of his forebears kneel before the altar wearing an earlier and even more extravagant version of the current scarlet, blue and gold uniform. A soldier in the foreground holds an exact replica of the blue beret still worn today, along with the sheathed sword.

Founded in 1506 by Raphael's patron, Pope Julius II, the Swiss Guard has a long and glorious history. Its toughest test came during the Sack of Rome on May 6 1527, when 147 Swiss lost their lives protecting Pope Clement V11 from the French and German mercenaries of Emperor Charles V.

Since the assassination attempt on the Pope in 1981 no one can doubt that defending the Pope's life is a serious business. Recruits not only swear allegiance "to give my life if necessary to safeguard the Pope" – three fingers of the right hand raised to symbolise the Trinity – but are trained in modern techniques of self-defence by an Italian black-belt judo instructor and have regular weapons training at an Italian army base. Swiss police advise on crowd control techniques.

In recent years doubts have begun to be cast about the future of the Swiss Guard. In the past the Vatican could rely on loyal Swiss aristocrats, such as the Pyffer von Altishofen family from Lucerne, to supply the captain commandant of the Swiss Guard, and there was always a good supply of young, unmarried German-speaking recruits of "irreproachable character" willing to serve their Pope.

But low wages and a shortage of senior Swiss soldiers willing to devote their time to a largely ceremonial career have made it increasingly difficult to fill the ranks of the Swiss Guard with the right calibre of recruit. The tensions came to a head last year with the murder of the newly-appointed Swiss Guard commandant, Alois Estermann, and his wife, by a young guard who had been passed over for promotion.

Pius Segmüller, 46, the new commandant, has the uncomfortable task of leading the Swiss Guard into the 21st century. As well as being a soldier he has a degree in philosophy from Fribourg university and a managerial background. He wants to raise the Guard's profile in Switzerland and is investigating ways of securing Swiss industry sponsorship which could improve the earnings and career prospects of the Guard.

The approach of the Holy Year is causing him particular concern. He has no reserves and wants to boost the size of his regiment to 120 in order to cope with the extra 25m pilgrims who are expected to converge on the Vatican. The 16th century Sack of Rome may be a mere tiff by comparison.

PROFILE
JAKOB KELLENBERGER

One of the men who give diplomats a good name

If Jakob Kellenberger, Switzerland's most senior diplomat, worked in Britain's Foreign Office, he would have received at least his Companion of the order of St Michael and St George (CMG), which some Britons jokingly refer to as "Call me God".

But Switzerland never honours its politicians, let alone its diplomats. And while some Swiss officials are more visible than others, the bearded Mr Kellenberger, 54-year-old state secretary in the Federal Department of Foreign Affairs, has always kept a low profile. Whether he is fighting Switzerland's corner in Brussels or mediating between the US, China, and the two Koreas on the four-party talks on the Korean peninsula, it is easy to mistake him for a lowly official note-taker.

Mr Kellenberger is the kind of person who gives international diplomats a good name.

Jakob Kellenberger: no hints of pomposity

A friendly, unassuming man with a gift for languages, he does not suffer from the pomposity which afflicts some officials as they climb the diplomatic ladder. After studying at the universities of Zurich, Tours, and Granada, he joined the Swiss diplomatic service in 1974 and worked in Madrid, Brussels and London before taking on what has sometimes seemed his life-long work – leading Switzerland's long, drawn-out negotiations to strengthen its ties with the European Union.

After more than four years of tough bargaining Mr Kellenberger finally signed the deal last month. "The bilateral agreements cover the most urgent needs of the economy, especially in terms of improved access to the internal market. But border controls and rules of origins remain," says Mr Kellenberger.

The conclusion of the bilateral negotiations is just the first step towards eventual EU membership. "It is important that we can make our own voice efficiently heard in Brussels and fully participate in the EU decision-making process."

Gradual political marginalisation will be an increasing problem for Switzerland.

Its economy has proved its competitiveness, and "it is possible to stay outside if you are competitive enough", says Mr Kellenberger, noting that Switzerland's big companies are well represented in the EU. But it is the future of Switzerland's small- and medium-sized exporters which worries Mr Kellenberger if Switzerland turns its back on EU membership.

However, the EU is not the only issue on Mr Kellenberger's foreign policy agenda. Switzerland wants to become more involved in crisis prevention and crisis management in the world's trouble spots. It is not purely altruistic. "We are feeling the effect of these crises, especially in terms of uncontrolled migration and asylum flows," says Mr Kellenberger.

Switzerland is a primary target for asylum-seekers from Kosovo. The UK, for example, takes 62 asylum seekers per 100,000 inhabitants while Switzerland takes 453 per 100,000 inhabitants.

The rise in domestic crime and the need to call in the Swiss army to defend diplomatic missions in Geneva and Bern is evidence of the increasing tensions in a country which is not part of the EU's Dublin Convention on asylum-seekers. If a request is refused in one EU state, an asylum-seeker cannot apply to another member-state. That situation does not apply to Switzerland.

Mr Kellenberger is also responsible for helping chart a neutral course for a country in a world where the environment for neutrality has changed. "While it has not become superfluous, its relevance as a foreign policy and security policy instrument is no longer the same as before the fall of the Berlin Wall," says Mr Kellenberger.

Switzerland, which is not a member of the United Nations, takes its neutrality very seriously. However, "it does not prevent us from expressing solidarity with the international community – for example, when it imposes sanctions against violators of international law", says Mr Kellenberger.

The diplomat's achievements have not gone unnoticed. Next year he will take over from Cornelio Sommaruga, a former diplomat, as president of the Geneva-based International Committee of the Red Cross (ICRC). It aids prisoners-of-war, mediates in armed conflicts, and is one of Switzerland's great unsung success stories. It is not a job that one applies for.

William Hall

INDUSTRY by William Hall

Global leaders keep the country ticking

Exports from a range of companies continue to write a success story, although the important engineering sector is vulnerable to any worldwide downturn or surge in the franc

Novartis, Roche, and Nestlé, along with perhaps a dozen other Swiss multinationals, are often regarded as the flagship companies of Switzerland Inc. They rank amongst the global leaders in their respective industries and generate the bulk of their profits outside Switzerland.

Their success is one of the main reasons why Switzerland runs by far the biggest balance of payments surplus of any industrialised country. Its overseas investments are bigger than its economy, and the near SFr20bn a year of net investment produced permits Switzerland to live very comfortably.

The history of the Swiss chemical industry, which started alongside the river Rhine in Basle more than a century ago, is a good example of how Switzerland's industries have managed to build up their fortunes and adjust to the competitive upheavals which have demolished many of their competitors.

Switzerland's neutrality during two world wars clearly helped, as did its rather cavalier ignorance of foreign patent laws, in its early industrial development. But these advantages have long since evaporated, and the way in which a company such as Ciba – whose name is an abbreviation for Chemische Industrie im Basel – has survived over the past century is a testimony to Switzerland's ability to build successful long-term businesses.

One hundred years ago, Ciba was Switzerland's biggest chemical company and earning the bulk of its profits from textile dyes. Ciba still makes textile dyes. But if it was as reliant on them now as it was a century ago it would have vanished years ago. Instead, it began to diversify into pharmaceuticals, and by 1996 had merged with Sandoz, its long-term textile dye rival, to create Novartis, Europe's biggest pharmaceutical company.

The old speciality chemicals businesses of Sandoz (now renamed Clariant) and Ciba have been spun-off on the stock market and are numbers one and two in the global speciality chemical industry.

Meanwhile, Mettler Toledo, another of Ciba's old Swiss subsidiaries which has its headquarters just outside Zurich, has been successfully floated on the New York Stock Exchange and is now the world's leading manufacturer of precision weighing instruments.

However, while companies such as Ciba, Nestlé, and Novartis capture the headlines, Switzerland's real industrial success stories – its engineering companies, – often go unnoticed, with the exception of ABB and Sulzer. There are hundreds of medium-sized engineering companies in Switzerland which employ far more people than Switzerland's chemical companies and watchmakers – the traditional symbols of the country's industrial success.

Switzerland's mechanical and engineering industries exported SFr50.4bn in 1998, more than 40 per cent of the country's total exports. It is an industry which employs more than 300,000 and whose product lines range from laboratory scales, capable of measuring to an accuracy of one-ten-*millionth of a gramme*, to giant turbines for the world's biggest hydro-electric power schemes.

Switzerland ranks amongst the world's top 10 machinery exporters. According to statistics provided by the Swiss Association of Machinery Manufacturers, it is number two in paper processing machines, number four in textile machinery, food processing and packaging machines, number five in machine tools, and number six in precision tools.

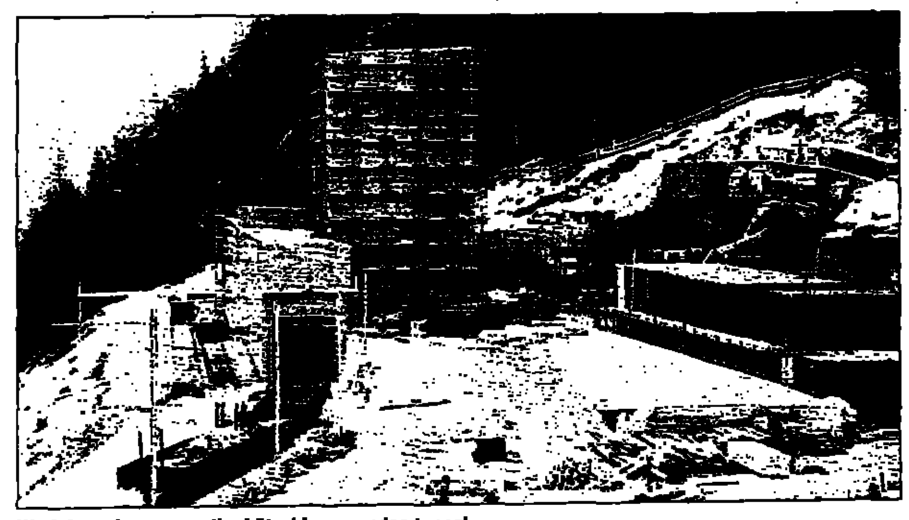
Given that 77 per cent of its output is exported, Switzerland's mechanical and electrical engineering industry is always vulnerable to any downturn in world trade or sudden strengthening in the value of the Swiss franc, one of the world's strongest currencies. In the final quarter of 1998 new orders fell 13.8 per cent.

Exports to Asia, which account for 12 per cent of the total, fell 21 per cent in 1998, but exports to Europe, which account for two-thirds of the total, rose 10 per cent, as did exports to the US, the second biggest market. It is figures such as these which help explain what makes Swiss industry really tick.

CONSTRUCTION by William Hall

Tunnels will ease pressure on Alps

Transalpine rail freight will be able to move much more quickly when this mammoth project is completed early next century



Work is under way on the Lötschberg service tunnel

Switzerland is gearing itself up for Europe's biggest construction project – driving two of the world's longest rail tunnels through the heart of the Alps.

Not since Alfred Escher, the founder of Credit Suisse, built the Gotthard tunnel 119 years ago has Switzerland undertaken such a giant project. The plan to build the 57-km Gotthard and 33-km Lötschberg tunnels is known as Neat, which is short for Neue Eisenbahn-Alpen-Transversale (new Alpine railway crossing).

It is the centrepiece of the SFr30.5bn modernisation of Switzerland's elderly railway network, and is seen by many Swiss as the price they have to pay to belong to Europe. Apart from easing the environmental pressures on Switzerland's increasingly congested routes through the Alps it will also link Switzerland into Europe's high-speed rail network.

In terms of scale, there has been nothing like it. The existing Gotthard rail tunnel, which was built with the loss of 307 lives, is 15km long. The new tunnel will be almost four times the length, and will be longer than the undersea rail tunnel linking France and the UK.

Although Switzerland has a long tradition of tunnel construction in the Alps, the technical challenges of the current project are considerably more demanding. The geology is more complex and the tunnels will be much deeper than previous ones.

Currently, rail traffic through the Alps travels on a mountain railway system with all the drawbacks that involves. Goods trains have to wind round the valleys to pick up height, and steep gradients increase the journey time and reduce the size of the goods trains. The new tunnels will be drilled at much lower altitudes, so that trains no longer have to climb steep gradients and can whisk through at high speed.

The highest point of the new Gotthard tunnel will be 550 metres, compared with 1,100 metres for the existing tunnel. It will be no higher than Berne. The Lötschberg will begin at 800 metres.

Peter Zbinden, deputy head of the Swiss Federal Railways AlpTransit Gotthard project, says the new tunnel will lead to a quantum leap in rail productivity.

The new tunnels will allow heavier, faster and longer freight trains of up to 1,500 metres in length and carrying up to 4,000 tonnes. The Gotthard's capacity for goods traffic will be almost doubled with 325 goods trains a day compared with the current 190. At present two locomotives are needed to pull a 1,300-tonne train up the 27 per cent inclines of the Gotthard and Lötschberg tunnels. In future 2,000-tonne trains will face maximum gradients of 12.5 per cent.

Goods trains will be able to run at 160kph and passenger trains at up to 250kph. Journey times from Basle to Milan will be cut from over 5 hours to 3½ hours, and it will only take 2¼ hours to travel from Zurich to Milan, which will make trains competitive with air travel.

The political and financial challenges of the new tunnels have been as demanding as the technical ones. Switzerland committed itself to building two new tunnels in the early 1990s as part of a transport agreement with the European Union which expires in 2005. Switzerland was allowed to ban the passage of 40-tonne trucks through Switzerland if it agreed to build the rail tunnels.

Transalpine goods traffic between southern and northern Europe has almost tripled over the past 25 years, and projections indicate a further doubling of goods traffic and a 50 per cent increase in passenger traffic by 2020.

An estimated 1m trucks a year are diverted around Switzerland as a result of the Swiss ban on 40-tonne trucks, causing congestion in places such as Austria's Brenner pass. The tunnels are also central to Switzerland meeting the obligations of a 1994 popular initiative to protect the Alpine region from transit traffic.

As often happens in Switzerland there can be a big gap between the decision of a popular vote and reality. Switzerland probably has the best rail network in Europe, but the amount of goods traffic carried by rail has fallen from 53 per cent to 37 per cent since 1970 and Swiss railways are facing increasingly stiff competition from road hauliers.

The Swiss are now resigned to the fact that they will not be able to switch all transalpine goods traffic to rail. One side effect of the recent bilateral pact with the European Union is that Switzerland has had to agree to lifting its ban on 40-tonne trucks after 2005. This will considerably increase the competitive pressures on rail in the short-term.

In a bid to curb the rapid growth in transalpine heavy goods traffic, the Swiss electorate agreed in September 1998 to the introduction of a new weight and distance related toll for heavy goods vehicles (LSVA). It will finance the bulk of the Neat project and also encourage the diversion of goods traffic to rail.

Switzerland has also agreed with the EU maximum charges for trucks transiting Switzerland. It had originally hoped to charge SFr600 per truck in order to encourage the diversion of traffic to rail but was eventually forced to accept SFr325.

Whether this will be enough to reverse the recent decline in transalpine rail traffic remains unclear. However, the Swiss are now intent on getting the new tunnels built. The Gotthard should take 12 years, the Lötschberg six years, and create 15,000 jobs.

It is the biggest investment project in Switzerland's history, and given the country's reputation for punctuality and detail it would be a national disgrace if it was not completed on time and within budget.

TRADING HOUSES by William Hall

Worldly merchants boost the coffers

Swiss neutrality has allowed the country's entrepreneurs to deal freely around the world, and to boost the services balance

Fidel Castro, Cuba's communist president, is not the sort of business leader who likes hobnobbing with capitalist entrepreneurs. But when he visited Switzerland last year he made an exception by going to lunch at André & Cie in Lausanne.

André, founded in 1877, is probably the biggest of a group of Swiss international trading houses. It is also one of the most secretive. In addition to trading in agricultural commodities and operating related industries, its activities include trade and project finance, shipping, and food ingredients. It is very big in Latin America.

Although little is known about the company, it is generally regarded to be one of the world's top grain traders alongside companies such as Cargill, Louis Dreyfus, Bunge & Born, and Continental.

Its name rarely appears in the media, and when a news agency reporter telephoned the company to ask why it was entertaining the Cuban President, an official noted that the visit was at Mr Castro's request. André was one of Cuba's big trading partners and it was "perhaps a sign that he appreciates companies like ours which trade with Cuba, even though it has not always been that easy".

André, which operates in more than 70 countries, is not the oldest Swiss trading house: Zurich's SiberHegner Group was founded in Japan in 1865, two years after Switzerland's first trade mission to visit there. It began handling imported European products in Japan and exporting silk in return. By 1921 it had opened an office in Shanghai.

In some respects SiberHegner's history mirrors that of the old British trading houses, such as Swire and Jardine Matheson, which made their fortunes from trade with eastern Asia. It describes itself as an international trading and marketing group. Two-thirds of its 1,400 staff are based in eastern Asia and only 120 in Switzerland.

Many of the 22 companies in the Swiss Association of International Trading Houses were set up to handle the overseas sales of Swiss exporters which could not afford to set up their own overseas sales network. Over the years the businesses have gone in different directions. Oettinger, based in Basle, has become a leading importer, exporter, and wholesaler of tobacco products. Most cigar afficionados will know of the Davidoff brand but few will have heard of Oettinger, Davidoff's Basle-based owner.

Not all the trading houses are in big cities such as Zurich, Basle, and Lausanne. Paul Reinhart, which trades in raw cotton and has offices ranging from Tashkent to Dallas, is based in Winterthur. The Zuellig Group, which has 10,000 staff and operates throughout eastern Asia, is based in Rapperswill, a lakeside town 25 miles east of Zurich.

Over time they have been joined by a new generation of Swiss-based international traders. The best known is Marc Rich, a Belgian-born billionaire who made the headlines after falling out with the US tax authorities. He is based in Zug and is building a second commodity trading empire which had 1997 sales of $4.5bn. His first business, now renamed Glencore and also based in Zug, has annual turnover or more than $40bn, and trades in everything from base metals to soft commodities.

The Swiss, like the British and the Dutch, have always been international traders. But, unlike the British and Dutch, the Swiss never owned overseas colonies, which probably helped their sales pitch. As a neutral country they are free to trade with anyone, and Switzerland's banking industry has also helped oil the wheels of international trade. The country's multilingual culture is also an asset.

SiberHegner, which earned SFr5m after tax on sales of SFr1.1bn in 1997, is one of the few companies to disclose its profitability. However, according to Switzerland's balance of payments statistics, "merchanting" contributed SFr1.2bn to Switzerland's 1997 services balance. It may be small compared with the overseas earnings of the banking sector, but it compares with a net contribution of SFr1.5bn from tourism and SFr0.9bn from transportation.

Can they survive? The economic problems in Asia, the rise of multinational companies, and the explosion of commercial information on the internet, have reduced the need for Swiss middlemen. However, SiberHegner survived the 1923 Yokohama earthquake, which destroyed its headquarters, and the 1929 Wall Street crash, which did the same to its balance sheet. So it seems likely that Switzerland's secretive international traders can weather the world's current economic problems.

Leading Swiss trading companies

Company	Est	Headquarters	Staff
Andre & Cie	1877	Lausanne	n.a.
Basel Trading Co	1859	Basle	1,300
Desco de Schulthess	1889	Zurich	620
Diethelm	1887	Zurich	11,000
Edward Keller	1887	Zurich	3,000
Oettinger	1875	Basle	1,500
Siber Hegner	1865	Zurich	1,600
Weitnauer	1865	Basle	2,700
Zuellig	1896	Rapperswill	10,000
Glencore*	1974	Zug	4,950
Marc Rich*	1996	Zug	n.a.

Source: Swiss Association of International Trading Houses * Not members of the association

VICTORINOX AND THE SWISS ARMY KNIFE by Christopher Hill

A cut above the rest

Tough competition and tough markets, but output is still strong

If the Swiss Army Knife, long coveted by schoolboys around the world, had been christened the Swiss Army Tool, it might never have become one of Switzerland's great export success stories.

These days, Victorinox – the Swiss company which makes the Original Swiss Army Knife – refers to many of its new products as "tools" so as not to fall foul of military arms embargoes in the more than 100 countries where it sells. But the heart of the business is still the production of its pocket knife.

One hundred years ago, a cutler named Carl Elsener, living in the Mythos mountains in the impoverished canton of Schwyz, invented a compact, multi-purpose knife.

Today, the scale of production has altered dramatically. With 950 employees, the factory at Ibach turns out 34,000 Swiss knives a day, as well as an even greater number of other tools.

Victorinox is still privately-owned by the Elsener family. The 76-year-old Carl Elsener III is active in the business, working alongside his son in the same office. Unlike many Swiss companies it has decided to keep production firmly based in Switzerland. This is partly to ensure that quality – its main selling point – remains the same, but also to maintain employment in the region.

It intends to remain a private company and finance its growth from its own resources. But Victorinox is not immune to global competition, and has had to fight to maintain its position as a world leader. With a global turnover of SFr227m in 1997, it exports 90 per cent of its production.

Turnover doubled between 1982 and 1992 but since then the going has been harder. It has also had to face increased competition from cheap, imitation imports from eastern Asia.

One way of responding has been to introduce new products. The traditional knife, the mainstay of the business, now comes in 400 different models, providing particular features for any special interest group from sailing to roller-blading. There is even an "equestrian model" for getting stones out of horses' hooves. The top-of-the-range Swiss Champ is virtually a pocket tool kit with 33 functions and weighing just 185 grams.

Victorinox also has its eye on the fashion market, producing its knives in 20 different colours. One of the latest products is a key ring knife including a ball-point pen and a small illuminator.

Apart from promoting its lesser-known range of household knives, Victorinox is resting its main hopes for expansion on its two latest products, the Swiss Tool and the Swiss Card. The former is a luxury compact, multi-function tool with 23 functions, including a pair of pliers. The latter is a card with 10 functions ranging from scissors to a toothpick, and fits into a flat wallet rather like a credit card.

PROFILE
SANDOZ FAMILY FOUNDATION

Traditions now blend with an entrepreneurial spirit

When it comes to wealthy Swiss institutions, the Sandoz Family Foundation has few equals. Its 4.2 per cent stake in Novartis, the Swiss pharmaceuticals group, is worth SFr8bn, and it ranks as one of the 10 richest foundations in the world.

The Sandoz Foundation was founded in 1964 by Edouard Marcel Sandoz, son of the Swiss drug company's founder. It did not shed any light on its activities until a year ago when its chairman, Pierre Landolt – eldest son of the Sandoz heir – decided that it was time to go public.

"We responded both to a will from the inside and pressure from the outside," says Pierre Landolt, a 51-year-old Swiss citizen born in Paris and who has been living in Brazil since 1974. He reorganised the foundation in 1994 with the aim of making it a more entrepreneurial operation. Then came the 1996 Novartis merger of Sandoz and Ciba, number two and three in the Swiss pharmaceuticals industry, and the Sandoz fortune soared overnight.

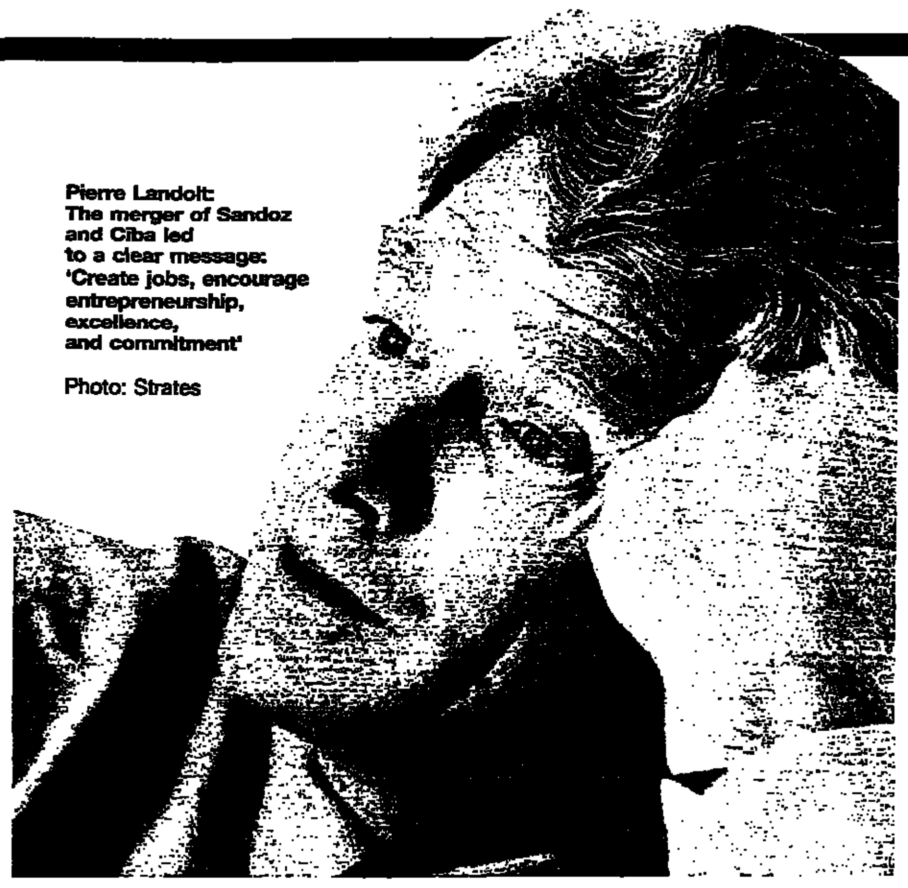
The foundation was shocked to be immediately branded as a speculator by the more popular parts of the Swiss media. "We had been faithful to only one single share for 110 years," says Mr Landolt. But the merger prompted the foundation to take a more professional approach to the management of its financial affairs with a clear message: "Create jobs, encourage entrepreneurship, excellence and commitment." The result is a rather odd mix of investments. Some, such as the refurbishment of Lausanne's plush Beau-Rivage Palace Hotel, reflect the foundation's interest in restoring Switzerland's heritage. The family is also rebuilding the Riffelalp Palace, a mountain hotel overlooking Zermatt that burned down 40 years ago, and financing a SFr12m recyclable wooden hotel for Switzerland's 2001 Expo in Neuchatel. "We refuse to believe that the great era of Swiss hoteliers is gone," says Olivier Verrey, the foundation's secretary.

The foundation is investing heavily in a new brand of luxury watches

The foundation's love affair with old hotels is mirrored in its newspaper interests. The family had been long-time shareholders of the Gazette de Lausanne, which was swallowed by the Journal de Geneve in 1991. The latter had an international profile but a poor balance sheet and repeatedly asked shareholders for more money. Meanwhile, Edipresse, Switzerland's second-biggest publisher, had launched a witty and politically incorrect rival — Le Nouveau Quotidien. When the Sandoz Foundation was asked yet again to bail out the Journal de Geneve it made clear it favoured a merger of the two foes.

The disappearance of the Journal de Geneve caused much heart-searching, especially among Geneva's intellectual establishment. But the new paper – Le Temps – has settled down well and has just about broken even financially in its first year on an average circulation of 52,000 copies. The paper's chairman is David de Pury, a merchant banker and former co-chairman of ABB, who has close ties with the Sandoz Foundation.

Le Temps may be one of the most visible Sandoz investments but it is not the most important, nor will it bring the best return. Pierre Landolt's passion for watches, and his friendship with watchmaker Michel Parmigiani, has prompted the foundation to invest heavily in a new brand of luxury timepieces.



Pierre Landolt: The merger of Sandoz and Ciba led to a clear message: 'Create jobs, encourage entrepreneurship, excellence, and commitment'

Photo: Strates

The two most prominent commitments are in private banking and telecommunications.

In 1994 the foundation acquired Banque Scandinave en Suisse, which was renamed Banque Edouard Constant. It has been restructured, but its growth ambitions have been tempered after a dispute over strategy with its Zurich sister-bank which led to the latter going alone. The foundation's private banking interests extend as far afield as Brazil where it owns Citco, which specialises in "multinational, high-standard clients".

The foundation is also keen to break into the telecoms business. It failed to win one of Switzerland's new mobile phone licences last year but was able to buy majority control of Interoute Telecommunications, a London telecoms operator. It hopes to generate $1bn of sales and with Sandoz backing aims to grow in East and Central Europe, South America and Far East. The foundation has also paid SFr300m to add World Online, a fast growing Dutch internet service provider, to its expanding telecoms portfolio.

When Pierre Landolt is not worrying about the Sandoz family fortune he can be found tending another great passion – his farm in northern Brazil. There he likes to concentrate on projects to enhance the local population's ability to sustain its needs without threatening the ecological balance. Axial, an investment bank he controls, focuses on biodiversity and sustainable development projects. It recently signed deals with Peugeot, the French carmaker, and the Brazilian authorities to promote pollution-conscious industrial behaviour. Mention the subject of new seeds and there is no stopping him.

Thierry Meyer

WINE by Giles MacDonogh

Good enough to tempt a puritan

Three distinct climates help to produce tipples known to only a few

The old world has now been largely upstaged by the new as far as wine in concerned. Broad, easily identifiable fruit flavours have taken the place of the linear, fruit-acid driven wines which slaked our thirsts in the past. Peaches, blackcurrants, apricots and cherries: fruit cocktails are what our wine pundits like most now.

The French still keep their heads above water and dominate the luxury market. Claret and Burgundy command impressive prices on a market which is as much about investment and kudos as it is about taste. Other parts of Europe, however, scarcely figure on wine lists these days. This is particularly true of Switzerland.

Swiss wines have existed for millennia, but they have always been an insider's tip, known to those, who – for one reason or another – have spent some time in Switzerland. They understand the quasi-infinite variety of the country. From the outside Switzerland is seen as a more or less homogeneous collection of snow-capped mountains.

The truth is subtly different. Swiss growers benefit from three climates: Atlantic, Continental and Mediterranean, each of which produce wines with widely different characteristics.

The famous physiologist of taste, Brillat-Savarin, discovered the first of these when he arrived in Lausanne after fleeing the French Revolution. He delighted in wines "as limpid as spring water and enough to tempt the most fanatical puritan".

Those he liked were possibly from nearby Dézalay, where the vineyards tumble down the cliffs to the lake below. The dominant grape here in the Vaud is the much-abused chasselas, which in other countries is known to produce almost tasteless table grapes. In its best Swiss incarnations it is transformed by the "three suns", that in the heavens, assisted by its reflections from the lake and the dry stone walls. The result is one of the world's lightest and most refreshing wines. Ponderous it is not.

The Valais is the home of Switzerland's speciality wines. In a world now sadly dominated by Chardonnay and Cabernet, this region of central Switzerland offers a collection of indigenous grapes such as Arvigne, Amigne, red and white Humagne, Rèze, Gwäss, Lafnetscha, Himbertscha, Cornalin and Durize, all of which are capable of reviving languid palates.

It also successfully vinifies the less-rarified red, grey and white pinots, gamay and syrah, making wines which – even if they lack the weight and complexity of Burgundy – are of very consistent quality. The key here is the warm, dry Foehn wind which combines with a continental climate to give the Valais a long growing season. Picking late also permits locals to make some sweet wines from over-ripe, shrivelled grapes.

The German-speaking east is far more atomized. Vineyards are packed into the narrow valleys wherever the soil and exposition are right. The dominant red is Pinot Noir, backed up by good Pinot Blancs and Chardonnays which have something of the same body as wines from across the Austrian and Badenese borders.

In Bad Ragaz I once enjoyed a picnic in the garden of an architect who owned nine hectares of vines. His wines were a real discovery, but he had no need to blow his own trumpet: as soon as they were in bottle the local Michelin-starred restaurant bought the lot.

The Mediterranean climate surfaces in Italian-speaking Ticino in the south. Extra warmth and sunshine has meant success for the red merlot grape which in France and California tends to ripen only in hot regions such as Bordeaux and the Napa Valley.

The problem of Swiss wine is that the Swiss themselves are more than happy to consume their entire production. And that still only accounts for half of the wine they drink.

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TOURISM by William Hall

Paying the price for slow change

Revenues from foreign visitors have played a vital role in the country's economy for decades. But tourist habits change . . .

Switzerland has always been a magnet for tourists. Its mixture of grand Alpine peaks and peaceful lakes, comfortable family-run hostelries, and efficient mountain railways has made it one of Europe's most popular tourist destinations.

The English were the first to spot Switzerland's tourist potential. Lord Byron and Ruskin helped popularise the Alps with their writing. Sir Arthur Conan Doyle, the British detective story writer, turned Switzerland's Reichenbach falls into a shrine for Sherlock Holmes fans after he chose it as the place for Holmes' last desperate struggle with Professor Moriarty in 1891.

Sir Henry Lunn fell in love with Mürren, a small mountain village in the Bernese Oberland, and helped trigger Switzerland's development as one of Europe's top ski areas. The early development of St Moritz, arguably Switzerland's most exclusive big resort, owes a lot to the foresight of Johannes Badrutt, a local hotelier whose family still owns the Badrutt's Palace. He encouraged his English guests in the summers of the 1860s that St Moritz could be just as much fun in winter.

Tourists habits change, however. Last year nearly one-third of the 7.1m foreign tourists visiting Switzerland were German, 12 per cent were American, and only 8 per cent British. Meanwhile, the rapid growth in Switzerland's tourist industry, which marked the 1950s and 1960s, came to a halt a long time ago.

For most of the current decade Switzerland's tourist industry has been declining rather than growing. However, the six-year fall in overnight stays, a popular industry benchmark, was stemmed in 1997 when stays rose 3.7 per cent, to 30.8m. Last year, they rose another 3.2 per cent, to 31.8m. But the figure is still 11 per cent below its 1990 peak, and also below the level of 30 years ago.

Switzerland's strong currency has not helped. It has contributed to an image abroad that the country is a relatively expensive one for tourists. The poor snow conditions during several recent winters and the steady fall in international air fares has led to Switzerland facing increasing competition from more distant and cheaper winter and summer resorts.

Ironically, this year Switzerland has had its biggest snowfall in decades.

The decline has been partially cushioned by building up a new market

But the media coverage of avalanches and stranded tourists has led to holiday cancellations. The Swiss tourist industry estimates that it lost over SFr500m, or 10 per cent of its winter takings, because of the bad weather in February. Resort operators are now hoping they can recover some of their losses by extending the season for a few weeks after its traditional close in early April.

Switzerland has been able to partly cushion the decline in its tourist industry by building up a new customer base in eastern Asia. Lucerne and the Jungfrau region have become popular tourist attractions for Japanese visitors. The number of Japanese overnight stays more than doubled in the 1980s and peaked at just under 900,000 in 1996.

However, Japanese tourism has been slipping for the last two years, and in 1998 the number of tourists from south-east Asia fell 36 per cent, to 249,000 in 1998.

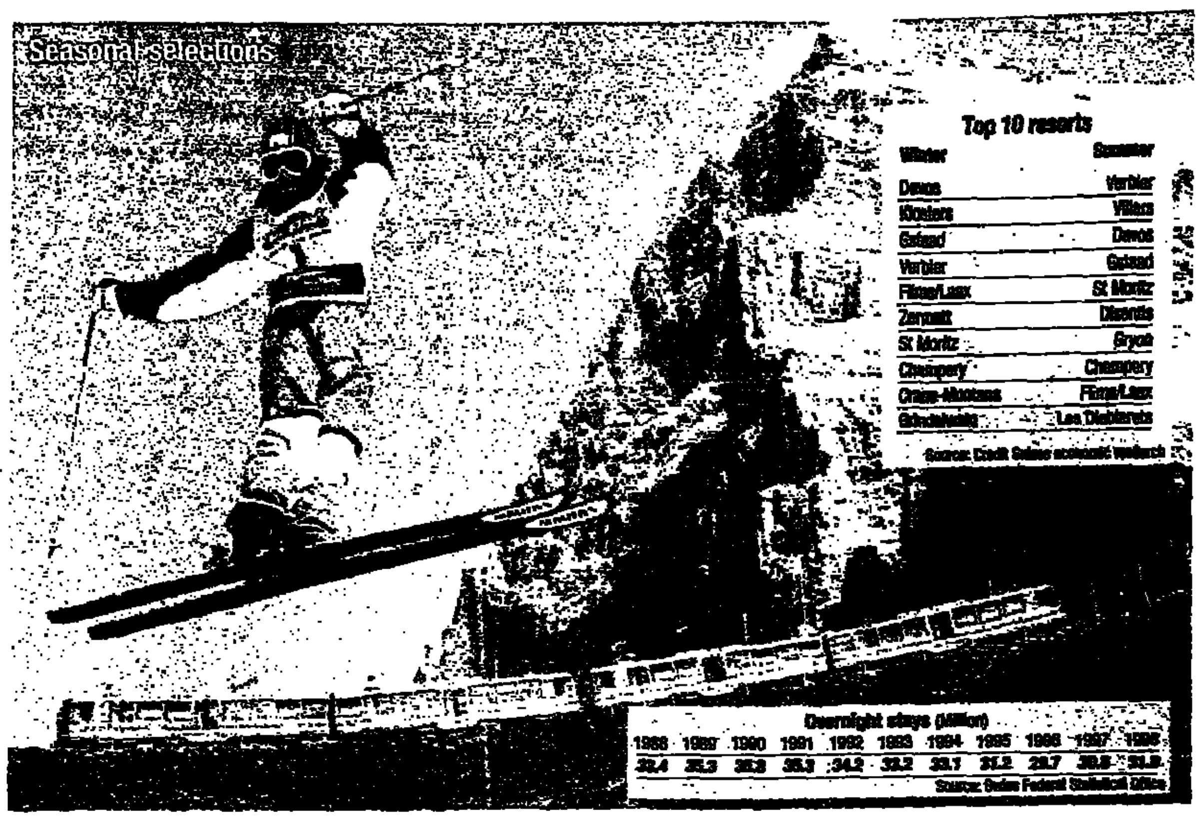
Fortunately, the weakening of the Swiss franc led to a recovery in overnight stays from currency-sensitive countries such as the UK (up 15 per cent), Italy (13 per cent), and the US (11 per cent).

Switzerland is not as dependent as Austria, its German-speaking neighbour, on tourism. But based on the OECD's latest international tourism survey it is far more reliant on tourism than most European countries. Credit Suisse estimates that it accounts for 5.6 per cent of the country's gross domestic product, and in 1997 SFr11.5bn was earned from foreign tourism.

Martin Daepp, a senior economist with Credit Suisse, says Switzerland has suffered a big loss of market share since the 1970s. Part of this is unavoidable as tourist preferences have changed in traditionally important markets such as Germany and France. But part of it also reflects the slow pace of change and under investment in Switzerland's tourist industry.

There is too much old hotel capacity which is preventing the building of more modern facilities which appeal to younger visitors. Switzerland's old hotels are part of its undeniable charm, but they are catering to an increasingly older clientele.

Fortunately for Switzerland the success of the rest of its economy means that there is less pressure on its tourist industry to prove that it can adjust to the changes in the global tourist market place.



Winter	Summer
Davos	Verbier
Klosters	Villars
Gstaad	Davos
Verbier	Gstaad
Flims/Laax	St Moritz
Zermatt	Disentis
St Moritz	Gryon
Champery	Champery
Crans-Montana	Flims/Laax
Grindelwald	Les Diablerets

Source: Credit Suisse economic research

Overnight stays (million)

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
32.4	35.3	35.3	35.1	34.2	32.2	32.1	31.2	29.7	30.8	31.8

Source: Swiss Federal Statistical Office

CULTURE by Andrew Clark

Lucerne's temple to music

Music-lovers should no longer leave this city's summer festival disappointed. The new centre has transformed its status

Once a year the music world descends on Lucerne for its star-studded summer festival. Until recently, the music world always went away disappointed because Lucerne's squat Kunsthaus could never do justice to the quality of music-making generated by its guest artists.

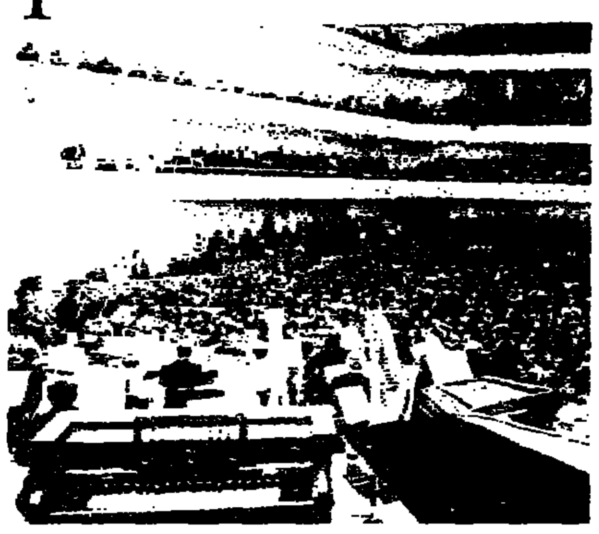
The inauguration last summer of a new cultural and congress centre changed everything. It instantly transformed Lucerne's status on the international music tour, and gave the people of this central Swiss canton a boost of confidence.

Unlike most 20th century performing arts venues, the new hall is neither visual conceit nor functional monstrosity. Designed by the French architect Jean Nouvel and the American acoustician Russell Johnson, it represents a happy marriage of artistic ideals and practical imperatives.

Surrounded by Alpine views, it boasts the most spectacular setting of the world's leading concert halls, and Mr Nouvel has responded with uncharacteristic restraint: his building harmonises with, rather than dominates, its surroundings.

But the real miracle lies within. The acoustic engineered by Mr Johnson easily matches the wonders of Birmingham's Symphony Hall in England, on which Mr Johnson worked so profitably a decade earlier. The difference is that the Lucerne hall is more intimate and elegant.

You might wonder what this SFr205m jewel is doing in a provincial city of only 60,000 people. Shut off from the musical mainstream for most of the year, Lucerne has yet to answer the question satisfactorily: the programme for the winter months consists mainly of bargain-basement imports and community promotions.


Sweetness and light: the auditorium has balanced sound quality everywhere and a wonderful night-sky ceiling

True, there are regular concerts by the local orchestra, and touring ensembles have begun to include it on their itinerary. But the hall's *raison d'être* is the festival, which has now been expanded to include symphony concerts at Easter and a piano extravaganza in November.

The only way the festival could get a new building was to tie it to Lucerne's ambitions as a tourist and conference centre. In a country where every major spending initiative needs local endorsement at the ballot box that meant proving to the widest range of interest groups, from hoteliers to yodelling clubs, that they had a stake in the building. The result is more than just a concert hall.

When construction is completed early next year Lucerners will also have access to a state-of-the-art museum, a conference room, and two flexible smaller halls.

All are housed behind a facade of glass, steel-mesh, and aluminium, and sheltered by a vast pagoda-like canopy – the building's only concession to monumentalism.

Reaching unsupported for 30 metres towards the waterside, the canopy not only offers shelter from the elements, but harmonises the building with the horizontal expanse of the lake. It invites you to spend the intervals outside – for which purpose a long, open-fronted bar has been furnished.

That is just as well, because Mr Nouvel does not seem to want anyone to linger en route to the concert hall. Shielded by the canopy, the outside balconies are denied the prospect of mountains and sky, and the tiny foyers are almost as darkly idiosyncratic as Mr Nouvel's opera house at Lyons.

Once inside the moulded shoebox auditorium, all is sweetness and light. It is a bit like a private temple to music, with off-white plaster walls, wooden organ gallery, and a night-sky ceiling of unparalleled height.

The 1,840 capacity (420 less than Birmingham) is Mr Johnson's ideal – a bit small for an international festival, but unlike Baden-Baden's ill-fated new festival theatre, not so big that it will embarrass users in the off-season.

As for sound quality, you do not get much more truthful than this. It is transparent, gently resonant, and quite unforgiving, but with the same balance wherever you sit. Mr Johnson's trademark echo-chambers, painted an infernal red, are the key to the hall's acoustic flexibility.

At Lucerne, 20th century concert hall design has finally come good. Here is a meeting-point of art and science, the avant-garde and tradition – a magic music box to which the well-travelled will wish to return again and again.